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THE REBIRTH OF AUSTRIA

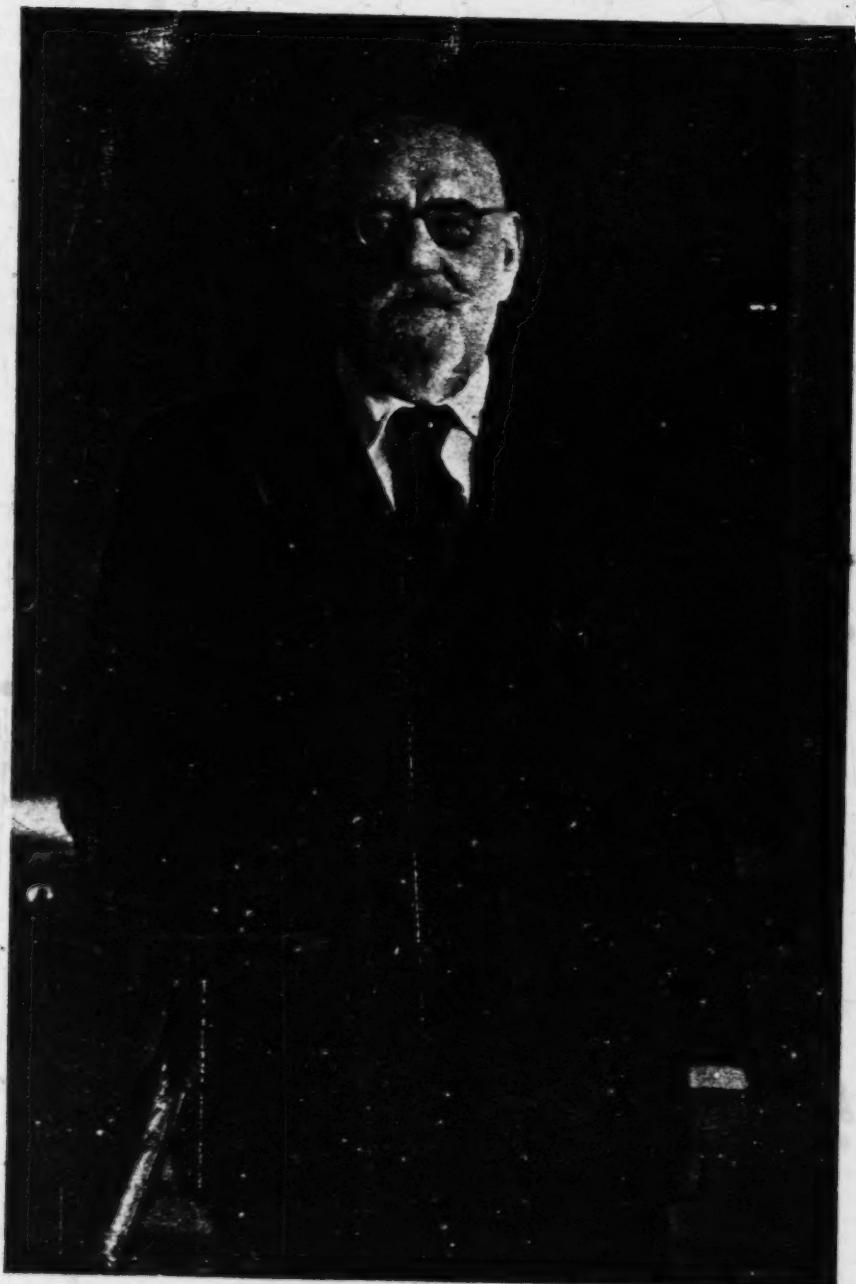
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DR. KARL RENNER

[facing p. iii]

RICHARD HISCOCKS

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THE REBIRTH OF AUSTRIA

*'... it was during the hours of the Austrian people's
most fearful ordeal that their true character was most
fully revealed to me.'*

ANTON WILDGANS

GEOFFRÉY CUMBERLEGE
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TO

DR. HEINRICH GLEISSNER, *Governor of Upper Austria*

AND

DR. ERNST KOREF, *Mayor of Linz*

IN ADMIRATION OF

THEIR EXAMPLE

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PREFACE

121 THE idea of writing this book came to me after a talk given early in 1951 to the Winnipeg Branch of the Canadian Institute of International Affairs. It was clear on that occasion that a well-informed group of Canadians knew little about Austria and that their potential interest in the subject was considerable.

As a student of international relations I have frequently felt the need of the kind of objective general study of contemporary conditions in another part of the world that this book sets out to be. If we keep moving in the right direction, the obligations of twentieth-century citizenship will extend increasingly beyond national politics. And political obligations, international in scope, can only be satisfactorily fulfilled on a basis of widening knowledge.

Post-War Austria is a subject both interesting in itself and typical of the troubled continent of which it is the geographical centre. Its importance to Europeans needs no emphasis, but it is a subject also of particular significance to the people of North America, who have emerged from the War with greater relative wealth and increased productive capacity.

Two things are required by the author of the type of study I have mentioned: versatility and leisure to do maximum justice to a moving scene. These I have not possessed in the measure in which they are needed. To present a balanced picture I have had to deal with subjects of which I have little technical knowledge, and I have had to combine the whole undertaking with my normal academic duties. In spite of these disadvantages, the absence of any general study of Austria since the war has encouraged me to make the attempt.

114 The chief difficulty in writing about recent events is the lack of reliable sources. Official documents may be inaccessible, and statistics are not always available. The fact that Austria is an occupied country makes the situation worse: the occupying

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Powers suffer from diplomatic reticence, and the Austrians themselves are under restraint.

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From February 1946 to October 1949 I was working in Austria as British Council Representative. The many contacts I made then have been invaluable in the preparation of this book, and I owe a great deal to my Austrian friends and acquaintances. They have helped me in a wide variety of ways and have given encouragement and constructive criticism. I am particularly indebted to my colleagues at Vienna University and to many good friends who are engaged in educational and cultural work.

I want especially to express my deep gratitude to Dr. Leopold Figl, who has just laid down the burden of his memorable Chancellorship, Vice-Chancellor Dr. Adolf Schärf, and other members of the Austrian Cabinet who spared time last year to see me and answer questions. I am most grateful to Dr. Felix Hurdes, Former Minister of Education and now President of the National Assembly, and Dr. Leopold Zechner, President of the Vienna School Board, with both of whom my duties as British Council Representative brought me into frequent contact. Dr. Heinrich Gleissner and Dr. Ernst Koref, to whom this book is dedicated, and Professor Ludwig Adamovich, President of the Constitutional Court, have also been most helpful. I have been very fortunate in being able to talk to a large number of Austrian civil servants about the problems of their departments and to read many unpublished departmental papers.

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Sources for the period of the Provisional Government, from April to December 1945, are particularly scarce. There was no Parliament, there were few newspapers, and comparatively little has been published on the subject. British and American documents covering the period are still 'classified', and the publication of the reports of the British and American Elements had not started. I have therefore depended largely on information gathered in interviews with some of the Austrians and British who played leading parts in the events of that time. Some of my most reliable informants, however, spoke freely on the understanding that they would not be quoted.

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Any student of post-War Austria is fortunate in being able to consult the publications of the Austrian Institute for Economic Research. I owe a special debt to its courteous director, Dr. Franz Nemschak, and have made very large use of the statistics produced by the Institute. However, since they were not always in the form required to illustrate the text, I have occasionally drawn on other sources as well. I must therefore take full responsibility for the accuracy of the figures quoted.

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I am very grateful to the Canadian Social Science Research Council and to the University of Manitoba for their support in the production of this book.

Finally, I wish to thank the many friends who have helped me in a variety of ways. I am especially indebted to those who have read and criticized all or parts of the manuscript, and to Dr. Hans Schwabl of Vienna, who kindly assisted me on points of fact while I was working in Canada.

The manuscript was completed shortly before the Austrian elections on 22nd February 1953. It was then held back for more than five weeks pending the formation of a new government.

RICHARD HISCOCKS

WINNIPEG, 7 April 1953

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I

The Austrian Problem

THE popular conception of a Europe divided by the Iron Curtain makes no allowance for the position of Austria. On one side of the curtain are East Germany and the Soviet satellite States, with Berlin heroically maintaining its insularity and faith in the future. On the other side are the West European countries, including Yugoslavia, with Albania as a queer but harmless anomaly left isolated on the Adriatic by Tito's quarrel with Russia. Austria under Four-Power occupation, yet with a Federal Government of its own, does not fit into this over-simplified pattern. The Russian zone of Austria is not behind the Iron Curtain in the same sense as East Germany, but it cannot be included in Western Europe.

This aspect of the Austrian question is bound up with the conflict between Russia and the West. It is a post-War development and will become clear as the story of post-War Austria is told. The main problem presented by Austria in 1945 is more fundamental and can be understood only in the light of the country's history between the two World Wars.

When the Habsburg Empire disintegrated in the autumn of 1918, the bulk of its territory and population was taken over by the so-called Succession States. All that were left to form the new Austrian Republic were about seven million German-speaking Austrians and a group of provinces extending from Hungary to Switzerland without national or administrative cohesion. For some months it was doubtful if an Austria would survive at all. From the economic and political points of view there were strong reasons why it should not.

Economically the new State was an irrational fragment which would have the greatest difficulty in paying its way. In area it was little more than an eighth the size of the old Empire,

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433 and in population less than a seventh. Yet it contained Vienna, with over two million inhabitants, a great Imperial city that had lost its *raison d'être*. The capital's top-heavy administrative system and large governing class were a burden to the young Republic. The country had lost to the Succession States its main sources of food supply and the coal vital to its industries. Four-fifths of its wheat and between two-thirds and three-quarters of its coal had to be imported. It was not surprising that in 1922 Austria had to appeal for financial aid from abroad and to accept the supervision of a League of Nations Commissioner.

648 Politically the seven million German-speaking Austrians did not want to form an independent State. The Austro-Hungarian Empire had collapsed owing to the desire of its various peoples for self-government. In 1918 the idea of self-determination was in the air, and it was natural that the German-Austrians, who owed to it the loss of their dominant position in the Habsburg Empire, should wish to make the best of the situation by applying the principle to themselves. In Germany the military Imperialists had fallen from power. The great majority of Austrians, therefore, who disliked Prussian arrogance but felt themselves to be Germans, were in favour of an *Anschluss*, or union with Germany, whether they belonged to the Right Wing or to the Left. Even Dr. Karl Renner, the first Chancellor of the Austrian Republic, who, as a Socialist, had advocated a free federation of Danubian peoples under the Habsburgs, was converted to the *Anschluss* idea by the force of events.

The first name given to the remnant of the Habsburg Empire was not 'Austria' but 'German-Austria'. A Provisional National Assembly, which met in Vienna during November 1918, approved a constitutional law stating that German-Austria was 'an essential part of the German Republic'. This decision was confirmed by a Constituent National Assembly the following March. Otto Bauer, who was in charge of foreign affairs, drew up a treaty with the German Foreign Minister, laying down the manner in which German-Austria

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should be incorporated in the German Republic, in the event of the peace treaty permitting such a development. The Provincial Assemblies of Salzburg and the Tyrol decided to hold plebiscites on the subject, both of which resulted in overwhelming majorities in favour of union with Germany. In the Tyrol 144,342 votes were cast for the *Anschluss* and 1,794 against. In Salzburg the figures were 103,000 for and 800 against.

In spite of these clear indications of popular opinion, the victorious Powers opposed any increase in German territory. The Treaty of St. Germain, in September 1919, established Austria as an independent State and forbade any modification of its independence without the consent of the League of Nations. In 1931, when the economic crisis led the Austrian and German Governments to plan a Customs Union between the two countries, the project was forbidden as contrary to the treaty terms. C. A. Macartney's laconic statement that French fear of the Germans on the Rhine was 'an insufficient reason for condemning Austria to be alive' summed up the feelings of many Austrians.

In addition to its fundamental weaknesses, the Austrian Republic lacked the required conditions for successful democratic government.

A prerequisite of sound democracy is a sense of common purpose. Party rivalry is essential to the democratic system, but it must take place within the framework of loyalty to the State. On the whole, in the First Austrian Republic party sentiment was stronger than patriotism. Of the two main political parties, the Social Democrats were convinced, though moderate, disciples of Marx, believing in the international character of Socialism and not uninfluenced by Marx's theory of class dictatorship. The Christian Socialists, though made up of peasants and industrialists as well as clericals, were predominantly Catholic and traditionalist in sympathy, many of them with monarchist leanings. Both sides tended to attach more importance to realizing their political ideals than to establishing effective government in the new State.

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facing page 4 (a)

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boundaries of the Austro-Hungarian Empire.....
International Boundaries after the First
World War.....

facing p4(c)

642 The Republican Constitution approved in October 1922 was itself a handicap. It was drawn up by a coalition government, in which the different views and mutual suspicions of the two parties did not make for clarity or simplicity of structure. Neither side could be described as experts in democratic practice, and the Social Democrats had an exaggerated fear of a strong executive. So the formidable political and economic problems facing the young State had to be tackled by a succession of weak governments which had no power to dissolve Parliament. As the system of proportional representation made for an even balance between the parties, a state of chronic instability prevailed. No real improvement was made in the Constitution until 1929, and even then reforms were limited to those on which the two main parties could agree, owing to the rule that any constitutional change required approval by a two-thirds majority.

665 The situation in the new Republic called for a concentration of political forces. But party feeling was such that the coalition lasted for only two years, and in the autumn of 1920 a long period of bitter and uncompromising conflict began. Attempts made on both sides to renew collaboration all ended in failure, and Dr. Renner, a consistent exponent of co-operation and compromise, had comparatively little influence.

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668 Although universal suffrage had been introduced in the Habsburg Empire in 1907, the democratic immaturity of the Republic was revealed by the prevalent political methods. The Social Democrats first tried to establish control of the official army. When this attempt had failed, both parties organized private armies of their own, and thus showed that in the last resort they were prepared to use force as well as argument. The bad habit developed of using mass demonstrations for political purposes, an undemocratic technique, because it appeals to emotions and mass suggestion rather than to reason. Its full dangers became clear under the Nazis, but before then it had done great harm to Austrian political life. A mass demonstration in 1927 led to riots and savage repression and accentuated party antagonism. By 1934 Parliament had

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665 been suspended by the Dollfuss Government and the country
 668 was on the verge of civil war. The Government's harsh and
 ill-considered decision to turn artillery on to the workers'
 dwellings may have cut short the conflict and suffering, but it
 was a final betrayal of democracy that no considerations of
 expediency can excuse.

721 In spite of the serious internal difficulties, it was in the end to
 external force that the Austrian Republic succumbed. On the
 11th of March 1938 Hitler sent an ultimatum to Dr. Schu-
 schnigg, the Chancellor. Within a few hours German troops
 had occupied the country and the *Anschluss* was a fact. The
 Austrian political parties have accused each other of preparing
 the way for this tragedy, but there were deep-lying causes for
 the growth of National Socialism and Fascism that were be-
 yond their power to prevent. In the diplomatic circumstances
 of the time, even had Austria been a model democracy, it would
 have had no more chance of withstanding Hitler than had the
 courage, patriotism, and democratic example of the Czechs.
 As the only German country outside the Reich, Austria was
 the first object of Hitler's ambition. The opening page of
Mein Kampf contains the sentence: 'German-Austria must
 return to the great German Mother Country'.

186 In fact, by 1938 the attitude of Austrians towards union with
 648 Germany had changed considerably. Inside Austria nearly
 twenty years of enforced independence had inevitably left
 their mark: the people were acquiring a sense of pride in their
 achievement and hope for the future. Recent developments in
 Germany also had had a decisive effect.

433 Economically Austria had made important progress. In 1918
 its position seemed hopeless. But the Austrian Government
 and people gradually accustomed themselves to the idea that
 their fate was in their own hands. By 1937 the country was
 producing three-quarters of its food. Valuable oil-fields had
 been discovered at Zistersdorf, north-east of Vienna, and oil
 production had risen from 73 tons in 1932 to 32,849 tons in
 1938. The tourist industry had developed rapidly and covered
 over 80 per cent of the country's trade deficit. When the

- 433 *Anschluss* took place, Austria already had a good chance of becoming a viable State.
- 657 Politically the main achievement had been in the field of social legislation. Nowhere in Europe did the Socialist ideal find more impressive realization than in the legislative programme initiated by Ferdinand Hanusch, the Austrian Secretary of Social Administration between 1918 and 1920, and in
- 367 the housing schemes carried out between the Wars by the Vienna municipality under Social Democratic control. These improvements gave the young Republic something to be proud of, something, moreover, which was associated with the difficult present rather than with the glorious past, and which
- 648 directed attention to the possibilities of the future. Another political event of importance was the appeal for financial help made to the Allies by the Christian Socialist Chancellor, Monsignor Scipel, which led to the appointment of the League of Nations Commissioner. He was accused of being a traitor by his opponents, but his action established an important precedent in international collaboration. It showed that it was possible to combine patriotism with the acceptance of international control, an innovation of great significance for a small State like Austria.
- 517 In culture and sport the period also brought great success. The triumphs of the Austrian football team, the Vienna State Opera, and the Salzburg Festival stirred the pride and enthusiasm of the harassed Austrian people.
- 186 Anton Wildgans' *Rede über Österreich*, which was written in 1929, reflected the development of Austrian patriotism and Austria's sense of identity as a State. This great speech was intended for a foreign audience. But it was also a noble expression of patriotic faith. Its enthusiastic reception in Austria was a clear indication that it summed up ideas that were germinating in many Austrian minds.
- 648 Austria's growing self-consciousness and sense of independence were stimulated by Hitler's rise to power. Austrian Socialists had been in favour of union with a Germany in which Socialism and democracy were strong, but they had no

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desire to link up with a totalitarian régime practising militarism and racial persecution. Their aversion was shared by many Right-Wing Austrians who had additional reasons for disliking Hitler's Germany. Dr. Dollfuss had been murdered by Nazis, and Dr. Schuschnigg had been insulted at Berchtesgaden. It was significant that shortly before the German ultimatum Dr. Schuschnigg held a successful conference with Viennese Socialists and Communists, although it was too late to have any effect. 648

Hitler himself provided the best proof that the majority of Austrians were opposed to his régime. The German troops crossed the Austrian frontier two days after Dr. Schuschnigg announced his intention of holding a plebiscite on Austrian independence. The Führer was well-informed on Austrian opinion, and decided he must act before the people could express their views.

A clear distinction must be made between the two meanings of the term '*Anschluss*'. In its more general sense of union with Germany it describes the aspiration of the great majority of Austrians after the First World War, an aspiration based on consent and rooted in the principle of racial self-determination. In the case of loyal Imperialists, it was the product of disenchantment and despair, the shattering of the foundations of their existence. With the Socialists it represented the international aspect of Marxism and the conviction that their political ideals could best be realized in alliance with the German Socialist Movement. But since 1938 the term has normally been used to describe Hitler's seizure of Austria in March of that year. In this sense it describes the first phase in the Nazi programme of expansion in Europe, which was carried out by force and threats without any regard for the real wishes of the Austrian people or any intention of respecting their cultural and historical identity.

In the absence of diplomatic support, Austria was powerless to withstand Germany. A minority of Austrians did not wish to do so either. They were tired of the economic struggle, disillusioned about politics, and impressed with German strength.

648 Hitler's phenomenal success and his massive histrionic displays had their effects on an impressionable people. But one year's close acquaintance with National Socialism was sufficient to break the spell.

727 Austria was renamed the *Ostmark*, and its interests were systematically subordinated to those of the *Reich*. The most important Austrian banks and industries were placed under German control. To most Austrians it was intolerable that Vienna should become a provincial city and each of the ancient provinces a *Gau* controlled from Berlin. The difference between Prussian totalitarianism and the Austrian spirit became clear as never before, and one Viennese spoke for many when he said it was only an accident that Germans and Austrians spoke the same tongue.

When the War ended, the disillusionment of the Austrian minority was complete. Six more years of Nazi domination had confirmed the impression of the first twelve months. Failure and disaster had discredited a movement which was built up on practical success.

[186] More important was the transformation of the Austrian people as a whole. The change that started between the Wars was completed during the German occupation. By 1945 the name 'Austria', honoured by Hitler's disapproval, had gained a new significance. The Austrian people had acquired a will for independence. They had also learned much from their political experience and failures.

So when Austria was liberated by the Allied armies and the Second Austrian Republic was formed, the restored State faced the challenge of post-War problems in circumstances quite different from those in which the First Austrian Republic had confronted the problem of its existence after 1918.

Austria's difficulties in 1945 were formidable. Like most European countries, she suffered from War damage and economic dislocation. In her case were added the political and economic effects of seven years' subjection to Germany, during which there had been a complete break in administrative continuity, and industry and agriculture had been subordinated to

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Hitler's War needs. In politics, the Left-Wing parties had been banned since 1933, and the Right Wing carried the stigma of an authoritarian experiment. Finally, there was the Allied occupation, an unknown element at first, which was to provide the pretext for prolonged exploitation and obstruction by the Russians. 727

Under these exacting conditions the Austrian Republic was still required to prove that it was a viable State, capable of successful democratic government. But in approaching their tasks the Austrian people had two great advantages that they had lacked between the Wars: clear common objectives and faith in their country's destiny.

II

Liberation

726 THE liberation of Austria was carried out from three directions very rapidly, the whole process being completed within a few weeks. On the 29th of March 1945 Soviet troops crossed the Austrian frontier from Hungary. At the beginning of May the British entered Carinthia from Italy and the Americans crossed the German frontier into the Tyrol. By the 13th of April the Russians were in control of Vienna, and before the end of the month large areas of Lower Austria and Styria had been freed. In the south and the west the British and the Americans met with very little resistance.

The speed of the liberation was due partly to the general situation. The morale of the Nazi armies was crumbling: on the 25th of April Berlin was surrounded and five days later Hitler committed suicide. But it was due also to the attitude of the Austrian people and to the work of the Austrian Resistance Movement. They made the Allied task easy and saved Austria from much damage.

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668 Resistance groups had begun to form in Austria as early as 1938. During the Nazi occupation and the War the strength of the opposition was shown by the large number of soldiers and civilians executed for desertion and 'treasonable' activities. The exact number will never be known, but it was probably between 15,000 and 20,000. At the Kagrán rifle-range in Vienna the shooting of deserters was on the daily programme, and the number of victims reached thirty to forty a week. A chaplain who ministered to military prisoners in Vienna counted over 1,000 executions in his own area between 1940 and 1943.

668 These figures indicate both the strength and hazards of the resistance in Austria.

To organize opposition in Austria was particularly dangerous

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and difficult, owing to the language question. Austrians alone of Hitler's subject peoples spoke the same language as their rulers. Large numbers of Germans were therefore drafted into key positions, and Austrians not considered reliable, who had been spared the concentration camp, were transferred to Germany. So it was a risky proceeding to organize Resistance groups on a scale that could be attempted with a reasonable chance of success in France or Italy, where bilingualism was almost a necessary qualification for an informer. There was every chance that a large Resistance meeting organized in Austria, even in a remote place, would be followed by internal betrayal, wholesale arrests, and a series of executions.

Yet, in spite of formidable obstacles, a great deal was accomplished. It was not practicable to set up an elaborate organization and plan action comparable to that undertaken by the French Maquis. But large numbers of men and women throughout the country formed themselves into small groups, which in some areas developed into a loose informal network, with a capacity for co-operation varying with the general situation and the efficiency of the local Gestapo. This kept alive the spirit of resistance and led to the establishment of personal contacts that proved of great value during the liberation.

Members of the Austrian Resistance Movement developed a technique of their own, especially among the holders of administrative and staff appointments, and were thus able to make an important contribution to the common cause. Military doctors increased the length of convalescence for the sick and wounded and declared healthy men unfit for service. Censors of foreign mail suppressed information valuable to the Government and letters that might incriminate its opponents. Staff officers had the best opportunities of all. It was an easy matter for military bureaucrats to waste time intentionally, as well as unintentionally, and to think out simple and elaborate methods for reducing efficiency. Training programmes were deliberately upset. German instructors were replaced by Austrians whose political sympathies were known. During the last autumn and winter of the War a whole infantry

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division was virtually written off by staff sabotage. The division had been defeated on the Western front; its re-formation was repeatedly delayed by changes in the rendezvous and misdirection of reinforcements and equipment, and finally it was reported ready for action when its personnel was only at half strength.

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Outside their own country Austrians fought with the Maquis in France and with Resistance groups in Italy. An Austrian battalion was formed as part of Marshal Tito's National Liberation Army. Many Austrians taken prisoner by the Allies asked that an Austrian fighting force should be formed to take part in the liberation of their country. But Allied consent was unfortunately delayed until April 1945, when it was too late to be of use.

During the last months of the War the enterprise and courage of a few individuals led to liaison being established between the Austrian Resistance Movement and the Allies. In the autumn of 1944 messengers with forged papers travelled to and fro between Austria, Switzerland, and North Italy. During October and November the Provisional Austrian National Committee, known as POEN, was set up in Vienna with its secret communications centre in the Grand Hotel, in order to provide a representative political organ through which the military Resistance Movement could make contacts abroad. After about four months most of its members were arrested by the Gestapo and the organization was destroyed. But not before it had fulfilled a valuable function. In February 1945 a representative of the Austrian Resistance went to Paris and established relations with the Allied General Staff, the French Foreign Ministry, American and British diplomatic representatives, and Russian liaison officers. He told them about the activities of the Resistance Movement and the existence of POEN, and asked them to give recognition to POEN, appoint liaison officers, and supply weapons and radio sets for the Resistance. The reactions of the Allies varied. The British showed caution, and the Americans were more ready to give practical assistance. Two American liaison officers were

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appointed, and two radio sets were smuggled across the frontier for use at Innsbruck and Salzburg. It was also arranged that the B.B.C. and the Voice of America should broadcast for POEN and the Austrian Resistance Movement.

In March, Fritz Molden, a young Austrian who had played a leading part in establishing relations with the Allies, visited the Allied Air Headquarters at Caserta. He took with him an appeal from the Resistance Movement, asking the Allies not to bomb civil objectives in Austria and pointing out that restraint on this point would make the task of the movement in organizing opposition easier. The Americans gave Molden, as the representative of POEN, the status of a special liaison officer with their forces in Italy.

The last Nazi effort to mobilize forces for the defence of Austria was the calling out of the *Volkssturm* in the autumn of 1944. This *levée en masse* of those that remained was doomed to failure from the start. All able-bodied men of military age had already been conscripted, and the hurried mobilization of the young, the old, and the unfit could only have succeeded had they been filled with a spirit of devotion to the cause. But this was almost entirely lacking. Drill and training in most cases were not taken seriously, often as the result of tacit understanding between officers and men. An Associated Press report from Buchs on the Austro-Swiss frontier towards the end of March 1945 estimated that 60,000 Austrians had fled to the hills to avoid the new form of service. During the liberation campaign that followed, not only members of the *Volkssturm* but whole units of the *Wehrmacht* under Austrian officers broke up and went home, changing their uniforms for civilian clothes. In these circumstances, Hitler's Wagnerian plan for a last stand in his 'Alpine fortress' at Berchtesgaden was abandoned. He chose for the final scene Berlin, where the details were less likely to escape his control.

In the brief battle for Vienna the general attitude of the population had a decisive influence. A group of army officers, led by Major Biedermann, who had established contact with the Russians, were betrayed and executed soon after fighting

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began. But this tragedy did not change the mood of the people. They were impatient for liberation, and many were prepared to do all they could to hasten it. Shortly before the Russians arrived, a meeting of the Resistance was held to consider the final plans, and its decisions were put into action successfully. The SS were hampered in every way; deserters were helped, and service in the *Volkssturm* was refused. Thousands of civilian suits were provided for troops, who were then given refuge in cellars. Even the Gestapo put the number of deserters at more than 10,000, and other estimates were much higher. Members of the *Volkssturm*, who were described by an observer as looking old and apprehensive, often threw away their weapons, if they could do so with safety. One army officer issued rifles from his store to members of the Resistance, who in turn opened fire on the SS at the barricades.

The Nazi leaders had planned a fanatical defence of 'fortress Vienna'. But in one of his last broadcasts Goebbels described the city as a stain on the German escutcheon. On the 13th of April, the day when the battle ended, Moscow radio announced that the Viennese had saved the honour of Austria and gained immortal merit by the part they had played in the liberation.

Apart from the few days' campaign in Lower Austria that preceded the battle for Vienna, there was much less fighting in the Austrian provinces than there had been in the capital. In Styria and Carinthia members of the Resistance took up arms at the end of March, but events in those provinces had little effect on the fate of Austria. The city of Salzburg was spared the possibility of serious damage by the action of the senior army officer in the city, who penetrated the American lines and surrendered on his own authority. In the Tyrol there was also little actual fighting, but the Resistance Movement was more highly organized than in any other part of the country.

The independent spirit of the Tyrolese had led to the formation of Resistance groups at an early stage in the Nazi occupation. The mountainous character of their countryside and its long, secluded valleys made it a comparatively easy matter for the groups to maintain themselves on a purely local basis.

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By the spring of 1945 there were more than twenty of them in existence. When Dr. Karl Gruber, the present Foreign Minister, arrived in Innsbruck from Berlin at the end of the first week in April, a number of groups chose him as their common commander, and he set about co-ordinating their activities. Gruber established his headquarters successively in a sanatorium, a café, and the premises of a mineral-water business. As he had been working as an engineer in a Berlin radio firm during the War, it was comparatively easy for him to establish wireless communication with the French and American armies. Under his unified command the Tyrol Resistance gained in confidence and strength.

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A series of smaller actions culminated in the capture of a German general's headquarters on the Hungerburg, just outside Innsbruck, and in the occupation on the 2nd of May of a barracks inside the city which contained a large supply of weapons and ammunition. For about twenty-four hours before the Americans arrived, on the 4th of May, the greater part of the Tyrol was in the hands of the Resistance. This had the result of reducing destruction to a minimum and saving the all-important bridges.

With the moral support of the great majority of Austrians and the active help of the Resistance, the military task of the Allies in Austria was soon accomplished. But it was by no means the only problem that confronted them as liberators. The very speed of the campaign and the thoroughness of the Nazi defeat brought with them special difficulties.

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Many Nazi officials left Vienna in a hurry and a spirit of reckless, indignant despair. Part of the German artillery had had no ammunition since leaving Hungary, and in spite of the exhortations of Goebbels and Himmler, those in authority realized the hopelessness of the military situation. They therefore took what they could from their stores and, when possible, destroyed or damaged what was left. Thus the Germans set an example of looting and wanton destruction, which was continued by the Russians and the Austrians themselves.

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A continuous stream of refugees had been crowding into Vienna from Czechoslovakia and Yugoslavia and the Austrian countryside to the east. They not only increased the number of mouths to be fed, but added dangerously to the irresponsible element in the city.

The last act of the retreating Germans will never be forgotten, nor quite forgiven, by the Viennese. St. Stephen's Cathedral, with its high-pitched roof and magnificent steeple, has dominated the centre of Vienna for centuries. Historically and spiritually it is the heart of the city. The cathedral had survived the severe air-raids of February and March 1945 with only minor damage and the loss of glass. But between the 8th and the 13th of April it was almost entirely burnt out after a long and at first successful struggle to save it. A combination of circumstances was responsible for the catastrophe: a minor bombing attack on the 8th of April, a wooden scaffolding foolishly left round one of the towers, and a wind causing a rain of sparks from surrounding fires. But two deliberate orders given by the retreating Nazis probably decided the fate of St. Stephen's. The whole fire brigade was withdrawn from the city, and shortly afterwards, on the 11th of April, German artillery opened fire on the cathedral, hitting the tower and tearing open the roof.

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The Russian troops entered Vienna as victors after a long and arduous campaign. They remembered what their own country had suffered at the hands of the German invaders, and many of them did not know the difference between one German-speaking person and another. An outburst of looting and excess was therefore hardly to be avoided, so long as battle conditions continued. But the disappointment came when fighting troops were replaced by the army of occupation, and the second wave of soldiery was found to be worse than the first. The primitive behaviour of the Russians was a poor advertisement for twenty-five years of Communism. The Viennese were genuinely grateful for their liberation and prepared to greet the Russians as friends. But women, who showed their gratitude openly, soon learned to stay at home, and for many

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weeks it was considered rash to wear a wrist-watch out of doors. 727

Disillusionment was increased by the proclamations issued by the Soviet Commanding General. These emphasized that the Red Army was fighting against the German occupants of the country, not against the Austrian people, and that private property and the individual rights of citizens would be respected. They were, no doubt, sincere expressions of intention. But the contrast between the intentions of the Soviet authorities and the actions of the Russian troops was not reassuring.

During the ten days' battle for Vienna the great majority of Viennese lived in their cellars or at least remained at home behind bolted doors. But a good many Austrians also took part in the orgy of plundering that was going on at the time. In every big city there is a certain section of the population to which such behaviour comes naturally. The tragedy of the situation in April 1945 was that some quite respectable citizens, who would not normally dream of thieving, helped themselves to what they could get. This was an indication of the general demoralization of the time, the desperate want that prevailed, and the chaotic conditions that made it unlikely that the barest needs could be satisfied by ordinary means.

The position during that terrible period was made very much worse by the existence of large stocks of wine and *Schnaps*. The Russian troops soon discovered this and went round calling out for wine and breaking into the cellars, after which their behaviour became correspondingly worse. When the Viennese found out what was going on, they would have been less than human had some of them not taken part in the general scramble. The owners naturally preferred that their fellow-citizens should have what there was rather than that more and more Russians should become drunk in the vicinity. So it came about that respectable Viennese were to be seen carrying home bucketfuls of *Schnaps* and liqueur.

In such circumstances mishaps could not be avoided, and one of them led to a major tragedy. Russian troops were camping in the Burgtheater, the great State Theatre that had survived

727 the War with only a small amount of damage. They lit a fire on the stage, which they failed to extinguish. The building caught alight and, in the absence of any fire service, was soon completely burnt out. Thus a great cultural centre was destroyed owing to the negligence of a few undisciplined soldiers.

These conditions led inevitably to famine. The normal system of food distribution had been interrupted by the fighting and lack of transport. The refugees had imposed a strain on existing supplies. Fire, destruction, and looting depleted the stores, while the uncertainty encouraged hoarding of what remained.

Finally the administration and public services broke down completely. The Nazi officials in charge of the city government fled with the retreating armies. The greater part of the police and gendarmerie, being Nazis, went with them, and the remainder dispersed to their homes. For some weeks there was neither gas, nor water, nor electricity; no communications and no public transport. Thousands of human corpses were left for days unburied, and the carcasses of horses lay putrefying on the streets. The fire brigade had been ordered to withdraw to the west, and abandoned fire-engines were found lying in the fields between Vienna and Linz, when the need for them in the city was greatest. In April 1945 Vienna experienced what anarchy means in practice.

642 In this crisis it was fortunate that the right men were available and willing to take the initiative in forming some kind of provisional administration. Since the banning of their party in 1934, a number of leading Viennese Social Democrats had been living in retirement, sometimes broken by spells in prison or concentration camps. Among them were General Körner and Dr. Adolf Schärff. On the 6th of April a group of Christian Socialist leaders were suddenly released from prison after spending weeks under the daily threat of death. They included Leopold Figl and Dr. Felix Hurdes. The only official organization that was functioning on the Austrian side was the Resistance Movement which had established its headquarters in

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the Auersperg Palace. The rapid co-operation of these three elements saved the situation in Vienna. Their efforts to set up a temporary municipal government received the full support and encouragement of the Russian military authorities.

The strength and bitterness of political feeling had rendered any effective collaboration between parties impossible in face of the Nazi threat before 1938. But seven years of German occupation had made a difference. In particular the contact that had been established between Schärf and Hurdes during the War proved of great value at this time.

Vienna had been a Social Democratic stronghold under the First Republic. On the 11th of April, therefore, the leaders of the Resistance Movement offered the post of burgomaster to a Social Democrat. On the 17th, after several days of negotiation between the Auersperg Palace and representatives of the party, the choice fell on General Körner, and was approved by the Russian Commandant. Körner was a widely respected figure; a convinced and selfless Socialist, who had been a Chief of Staff in the old Imperial Army and last President of the Republican Federal Council. His deputies were to be a Communist, Karl Steinhardt, and the Christian Socialist, Leopold Kunschak, former Federal Chairman of his party, who had distinguished himself by his staunch democratic loyalty and his consistent opposition to Fascism. Under this satisfactory leadership energetic steps were taken to re-organize the administration of the city. The municipal offices were divided, half going to the Socialists and a quarter each to the Communists and the Austrian People's Party, the newly named party of the Right.

In the meantime, valuable work was being done by Leopold Figl, former Federal Director of the *Bauernbund* or Farmer's Union. Since 1938 Figl had spent altogether sixty-eight months in prison and concentration camps, where he had already revealed the qualities of toughness and courage that later distinguished him as Chancellor. Within a day or two of his final release he began work with a few friends and former associates to re-organize the *Bauernbund* and the provincial

642 government of Lower Austria, shortly afterwards becoming President of the Austrian *Bauernbund* and Governor of Lower Austria. At the same time he improvised measures for the relief of famine in Vienna. The Russian military authorities were persuaded to put two or three dozen lorries at his disposal. The drivers reported to him every morning, and, accompanied by volunteer civilian guides, were sent out into the countryside to collect supplies. In the evening they returned, and the food was handed over to the municipality for distribution. Figl was specially qualified to perform this service, because he had the confidence of the peasants.

644 While these developments were taking place in Vienna, a series of events had occurred in the country south-west of Vienna which were to have a decisive influence on Austrian history.

645 In the village of Gloggnitz, at the foot of the beautiful Semmering Pass, Dr. Karl Renner, senior and most respected member of the Austrian Socialist Party, had been living since his enforced retirement from active politics in 1934. In April 1945 he was seventy-four years old, but still strong and active in body and mind. Gloggnitz was not far from Kőszeg, the point on the Hungarian border where the Russian troops first entered Austria. It was therefore one of the first villages to be occupied. Dr. Renner, having advised his fellow villagers to stay where they were and not run away from the advancing army, was disappointed at the rough house-searchings to which all of them were subjected. On Easter Tuesday, therefore, two days after the arrival of the Russians, he took his stick and, without bothering to put on a coat, walked down the street in search of the local command post, in the hope of convincing the officer in charge of the villagers' peaceful intentions and preventing further mistreatment. He was directed to the next village, a mile and a half away, and there by a fortunate chance found some officers who knew his name and past record. He was sent by lorry to higher headquarters at Hochwolkersdorf, where he was received with great respect and spent the evening in discussion with senior staff officers.

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Dr. Renner had entered the lorry under protest. He had left home with the intention of visiting the village command post and then returning. He was therefore concerned both about his family and about their anxiety for him. Nevertheless the evening's conversation and the talks that followed the next day with officers of even higher rank were of great significance for the future. The Russians agreed to assist Dr. Renner in taking the measures necessary for the re-establishment of democratic government in Austria. They assured him that they stood by the Three Powers' declaration at Yalta and that Austria, when liberated, would be free to solve its political and economic problems according to the people's will. Dr. Renner for his part made clear that there could be no question of his acting as a Russian agent. If he were to form a government his commission must come from the Austrian side. It was arranged that he should be given full facilities for his preliminary work first in Gloggnitz and later at some suitable place nearer Vienna.

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After a few days at home, during which he worked on a series of declarations and pamphlets addressed to the Austrian people, Dr. Renner and his family were taken to a country house near Wiener Neustadt. Then, to their surprise, they were driven on the 21st of April direct to Vienna.

It was a remarkable accident that brought Dr. Renner into contact with the Russian authorities within a week of their entering Austria. His name was known to educated Russians as a pioneer Socialist thinker on the problem of nationalities, whose writings had influenced Stalin, while he was preparing his essay on *Marxism and the National Question* in Vienna at the beginning of 1913. But that he should have come upon Russian officers, in a remote village at that particular time, who realized his potential importance, was a stroke of fate, the full consequences of which it is impossible to assess. What would have happened had his meeting with the Russian leaders been delayed for some weeks can only be a matter of conjecture.

By character and experience Karl Renner was by far the best qualified man to undertake the formation of an Austrian

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643 government in the critical spring of 1945. He was sufficiently far to the Left in his opinions to be acceptable to the Russians and yet sufficiently moderate to be respected by all parties. He had been first Chancellor of the First Republic, and therefore had unrivalled knowledge and experience of post-War problems. He had also been President of the Austrian Peace Delegation at St. Germain. Furthermore, he combined strong political convictions with flexibility of method and willingness to compromise, a mixture of qualities which were to prove invaluable during the coming years.

[642] When he arrived in Vienna, Dr. Renner found, to his pleased surprise, that the political parties had already combined in many municipalities, including the capital, to set up provisional administrations. In Vienna General Körner and his deputies were established at the Town Hall. Representatives [204] of the three parties had joined together to found a new newspaper, *Neues Österreich*, the first number of which appeared on the 23rd of April, after the city had been without a newspaper for three weeks. A first meeting of trade unionists had also [467] taken place, which led to the foundation on the 27th of April of an Austrian Federation of Trade Unions on an all-party basis. Dr. Renner altered his plans to suit the unexpectedly favourable conditions. Calls to action were not required so much as leadership, organization, and the definition of objectives.

643 The Russians installed Renner in a house in the suburb, Hietzing, that was large enough to accommodate his family and small staff and allow conferences to be held on the main floor. 648 The day after his arrival, the Russian colonel who was 642 acting as liaison officer arranged for leading personalities from the different political parties to come and visit him. The first to arrive was Leopold Kunschak, to whose attitude Renner attached great importance. He was followed by General Körner and Adolf Schärf; the Communists, Ernst Fischer and Johann Koplenig, and others. Negotiations progressed so rapidly that within two or three days agreement had been reached on the membership and constitution of the Provisional

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Government. On the 27th of April, Dr. Renner as Chancellor designate and his proposed colleagues were received by Marshal Tolbuchin, who in the name of the Red Army gave the Government *de facto* recognition and promised it support. 643
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The same day a proclamation was issued in the name of Renner and representatives of the three political parties, which contained a formal Declaration of Independence. It announced the restoration of the Austrian Republic, the nullification of the *Anschluss*, and the proposed establishment of an all-party provisional government with full legislative and executive authority, subject to the rights of the occupying Powers. On Sunday the 29th of April members of the new Government assembled in the council chamber of the Vienna Town Hall, and, after an exchange of speeches between Burgomaster Körner and Dr. Renner, proceeded, accompanied by the City Senate, to take formal possession of the half-destroyed parliament building nearby. There they were greeted by the Russian Commandant of the city, and Dr. Renner, among the ruins and the rubbish that there had been no time to clear away, reaffirmed his faith in the future of free Austria and the democratic resolve of his colleagues and himself. The ceremony concluded with the reading of a declaration to the people of Austria announcing the establishment of the Provisional Government and exhorting all citizens to play their part worthily in the restoration of the country. 642

The authority of the new Government extended in fact only to Vienna and those areas of Lower Austria, Burgenland, and Styria that the Russians had already freed. Provisional governments were established in the rest of Austria, as the liberation proceeded, and political authority was exercised either by the military governments of the occupying Forces or by Austrian Provincial Governments set up or approved by them. In Carinthia an all-party Government had been formed on Socialist initiative before the British arrived. In the Tyrol, the Resistance Movement, which had already achieved so much, established an Austrian Provisional Government Committee in the face of Nazi opposition: the American forces, whom the 642
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642 Resistance leaders had invited to cross the frontier from
648 Bavaria, were given a formal and enthusiastic welcome when
they entered Innsbruck on the evening of the 3rd of May.

648 Within a year or two of the end of the War a bitter joke was
current in Vienna. Austria, it was said, might possibly survive
a third World War, but it would certainly not survive a second
liberation. Austrian disappointment was understandable. Dr.
Renner pointed out in April 1946 that after the First World
War Austria had waited six months for the invitation to St.
Germain, and that the peace treaty had followed four months
later: that was the treatment given to a defeated country, and
it was indefensible that a liberated country should be treated
worse. Yet, in spite of everything, the overthrow of the Nazi
régime in the spring of 1945 was a liberation. Since then
Austria has had a large measure of freedom in which to
develop its own way of life. Though the continued restric-
tions on its liberty cannot be defended, against them can be set
the considerable amount of material and moral help the
country has received from some of the occupying Powers.

III

Provisional Government

DR. RENNER'S task was to form an interim government 'broadly representative of all democratic elements in the population'. Those were the terms of the Yalta programme for the liberated peoples of Europe, and it was in that task that the Russians had promised to help him. His first problem was how to make the Government representative under existing conditions. Elections for some months were out of the question. When he arrived in Vienna, fighting was still going on, and, when opposition ceased, Austria was divided into four separate zones under the different armies of occupation. The country was almost entirely without means of communication, and the great majority of able-bodied men of military age were prisoners of war.

During his first conversations with the Russians Dr. Renner had proposed that, as President of the last National Assembly dissolved by Dollfuss in 1934, he should call together its surviving members or their official substitutes, replacing the Fascist representatives by Communists. But he finally decided against this plan. It would be a complicated, somewhat arbitrary procedure and would take time, when the circumstances demanded that a provisional government should be established immediately. As the main political parties were already re-forming under recognized leaders in Vienna, it would be more satisfactory if the party leaders themselves and their nominees combined to make up a government. Under the Austrian system parliamentary candidates were normally nominated by the party machines, so that the deviation in this case from the ordinary practice would be formal rather than real.

To ensure that the government chosen by this method should really have the confidence of the people great care was

642 taken in its composition. No government was ever set up that more closely deserved to be called a coalition. There were representatives of all parties at each level of the administration. Of the thirteen main posts, four went to Social Democrats, four to the Austrian People's Party, three to Communists, and two to non-party men. In addition, in all Ministries, except the Ministry of Finance, two Under-Secretaries were appointed from the parties to which the Minister did not belong. Dr. Renner himself, as Chancellor, was assisted by three Secretaries without portfolio, who with him constituted the Political Cabinet Council. This body, in addition to acting as an inner Cabinet, temporarily formed the supreme executive authority and carried out the duties previously performed by the President of the Republic. Its members, apart from the Chancellor, were Leopold Figl, Adolf Schärf, and Johann Koplenig.

[645] The whole Government, including the Under-Secretaries, formed the Cabinet in the broader sense. From the point of view of taking executive decisions, this body was inconveniently large. But, on the whole, its size was an advantage. As there was no Parliament, it was executive and legislature rolled into one, and had to perform the functions of a Cabinet and of both parliamentary Chambers. It was therefore a good thing that it should be as representative as possible. Confidence in it as a legislative body was further increased by the principle of unanimity that governed its decisions.

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663 In view of the severity of the party conflict in Austria between the Wars, it may well cause surprise that the three parties should have collaborated so closely and successfully during the seven months' life of the Provisional Government. It was due partly to the personality of Dr. Renner. By sheer force of character and political experience he exercised considerable influence over his colleagues in the Government. He was one of the few Austrian statesmen since 1918 who were able to combine lifelong adherence to a political creed with magnanimity and the ability to look beyond party to the needs of the country as a whole. In 1922 he wrote, 'Passion is

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a bad political counsellor', and during the remainder of his life he acted in accordance with this precept. In a speech delivered a few days before his death he spoke of the usefulness of political differences, but emphasized that from the clash of opinions the right course should emerge and common action follow: party, the part, must not usurp the role of the general welfare, which is the whole.

Common suffering at the hands of the Nazis made a great difference also. Political rivals came out of prison as close personal friends addressing one another by the familiar 'du'. As Leopold Figl said, in the concentration camp a man did not ask his fellow-prisoner what party he belonged to, but whether he was an Austrian. Brave men endured hardship and torture in order not to betray other members of the Resistance, even if they did belong to another party. Adolf Schärp has described how by chance Felix Hurdes, once in a neighbouring cell to his own, was cross-examined about their contacts with each other. However strong party rivalry might subsequently become, such incidents as these could never be forgotten by those who had experienced them.

Another individual who contributed greatly to the success of the Provisional Government by his action and his example was Leopold Figl. In 1945 he was only forty-three, and he had none of Dr. Renner's experience of Parliament and national politics. But he had great integrity and boundless energy. As a member of the Political Cabinet Council, ~~President of the Bauernbund~~, and Governor of Lower Austria, he was rapidly becoming the most significant figure in the People's Party. His loyal and consistent collaboration with Dr. Renner was therefore of great importance. It meant that the leaders of the two main parties, whose rivalry had been so disastrous in the past, were now working together for the good of Austria.

Besides the strong central government that Dr. Renner and his colleagues provided, the country needed a new administration. After the *Anschluss*, Vienna's functions as the administrative centre of Austria were transferred to Berlin. The city ceased to be a capital and became a province and, so far as the

631 federal civil service was concerned, was left with neither offices nor officials. After 1918 Vienna had been compared to a heart from which the arteries had been severed: after 1945 Dr. Renner described it with good reason as no longer a breathing heart but a mere bundle of torn blood-vessels. Most of the local and provincial government offices survived, but had been largely filled with Nazis, many of German origin. They had either fled before the Allied armies, often burning the records before they left, or were suspended by the Allies after their arrival. The whole administrative machinery of the State, therefore, from the smallest village to the Supreme Court, had to be created anew.

663 The work of reconstruction was carried out in a spirit of devotion and enthusiasm under the supervision of Sektionschef Heiterer-Schaller, who was commissioned by Dr. Renner to re-organize the administration. In the early weeks it was largely a matter of improvisation and individual initiative. Personnel had to be re-assembled, premises found, and the most rudimentary equipment collected, like paper and typewriters. While the fighting was still going on, a few civil servants collected at the Chancellery in the Ballhausplatz and began clearing away the rubbish with their own hands. Then very gradually the work became more systematic. When the occupying Powers appointed committees to investigate the situation in September, it was found that a fairly adequate civil service was being built up, recruited mainly from those who had suffered under the Nazi régime and who had had previous administrative experience before the *Anschluss*.

The circumstances in which the task was undertaken could hardly have been worse. Apart from the famine and destruction, and the breakdown of all public services, the condition of the State finances was such that all officials, from the Chancellor to the office charwoman, received a salary of only 150 marks a month until the autumn of 1945. This would not have been enough to pay for the bare necessities of life, had they been available. Yet the spirit in which the task was carried out was excellent. It was a real labour of love performed from a sense

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of deep patriotism. In spite of the sordid conditions and immense difficulties, an atmosphere of happy adventure and exhilaration surrounded the whole operation. As one official who took part in it remarked: 'After all, it is not often that one has an opportunity to build up a State.'

In the work of political and economic reconstruction the Provisional Government received the support and assistance of the Russian military authorities. As will be seen, the Russians at this time were beginning to carry out the systematic confiscation of economic assets which was part of their post-War policy. But this was accompanied by a positive and helpful attitude towards the Government itself. It would be quite wrong to attribute to the Russians at this period the political obstruction they practised later. Buildings were made available for Government departments. There was no interference with the Cabinet's deliberations, and the laws were, with very few exceptions, given tacit approval. In fact, the Provisional Government felt free and unrestricted in the immense legislative task with which it was faced. After all, the Government was a Russian creation, and the Russians must be given credit for the selection of Renner. The fact that he turned out to be a better choice from the Austrian than from the Russian point of view is beside the point.

The Austrian Communists also, in their own way, furthered the work of the Provisional Government. In view of the key positions they held, this was really to be expected. With Russian support they had obtained much fuller representation in the Cabinet than their strength in the country warranted. In addition to providing Under-Secretaries and a member of the Political Cabinet Council, they held the all-important Ministries of the Interior and Education, which were responsible respectively for security and 'public enlightenment'. But the Communists also contributed to the success of the Government for another curious and surprising reason.

Very soon after the arrival of the Russians the chosen leaders of the Austrian Communist Party flew into Vienna in Russian aeroplanes: Ernst Fischer and Johann Koplenig from Moscow,

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and Franz Honner and Friedl Fűrberg from Yugoslavia. They came with a well-thought-out programme which was followed consistently during the lifetime of the Provisional Government. Two themes were to be stressed repeatedly: the idea of Austria and its national tradition and the need for democratic solidarity and a united front. As a result, Communist leaders were to be found saying and writing some unexpected things during the following months. At an all-party meeting in the middle of April the question of education in Vienna was discussed. Ernst Fischer spoke with such enthusiasm of the need for instilling patriotism and an appreciation of the great achievements of such historic figures as the Empress Maria Theresa and Prince Eugene that Leopold Kunschak remarked drily to a friend afterwards that he thought at any minute Fischer might spring up and start singing 'Gott erhalte unsern Kaiser', the old Imperial national anthem. Many efforts were also made by the Communists to persuade the other parties to collaborate in the foundation of joint democratic or supra-party organizations, in which they hoped to exercise the controlling influence. The Socialists and the People's Party did not respond to these overtures. For example, on one occasion Dr. Schärff and Dr. Hurdes discovered that a poster had been printed without reference to them announcing the formation of an all-party youth movement, known as the 'Free Austrian Youth'. At the bottom of the poster their names appeared by the side of that of the Communist leader concerned. Their reply was to proceed with the formation of youth movements for each of their own parties. The 'Free Austrian Youth', however, now a Communist organization, still retain as their flag the Red-White-Red of the Austrian national colours, which their founder had hopefully given them.

The real implications of this programme can only be understood in connexion with the post-War record of the Communists in Central and Eastern Europe. But it had the temporary advantage of facilitating their co-operation with the Provisional Government's efforts to rebuild and re-unite

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the Austrian State. Certain Communist utterances at the time had a considerable appeal to Austrian sentiment. To the first number of *Neues Österreich* Ernst Fischer, who was the editor, contributed an article entitled 'With United Strength'. It ended as follows:—

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And something more is necessary: that we Austrians awake to true national self-consciousness, that we have confidence in our own strength, as we have not always had in the past. . . .

Hard work lies ahead of us, but it is work for ourselves. After long years of servitude, we can work for ourselves again, for the happiness of our children, for the welfare of our people, for a free independent Austria. With united strength we will overcome all the accumulated difficulties and make of our homeland what it deserves to be: a land of peace, freedom and creative human endeavour. And when the drab needs of everyday life get a hold on us, our ardent faith in Austria will rouse us again to action.

Our great composer, Schubert, has bequeathed us his ever beautiful unfinished symphony. Everything around us now is unfinished: fragments, ruins, the sadness of destruction. Nevertheless we hear more clearly than ever before the urgent, admonishing notes of the unfinished symphony—Austria. We shall finish it.

It was an inspiring call. But there are no signs now that the symphony will be finished in the way Ernst Fischer had in mind.

The legal situation that faced the Provisional Government when it took office was very complex. The most urgent need was to define the constitutional position of the Government. This was done with the help of two constitutional laws that were approved on the 13th of May and made effective from the 1st of May 1945. The first of these declared that the Austrian constitution of 1929, as it stood on the 5th of March 1933, was again in force, and the second modified the first by stating that until the formation of a government based on free elections the Provisional Government was to exercise the supreme executive power in the State and the legislative authority previously held by the Federal Parliament and the provincial assemblies. It was of immediate importance also to settle the question of the legislation and decrees issued by the

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642 German Government since the *Anschluss*. They could not be repealed *en masse* without causing great confusion. A further constitutional law was therefore passed, that was also to be effective from the 1st of May, stating that all laws and decrees incompatible with a free and independent Austrian State and with a genuine democracy were annulled. The Government would, after investigation, give notice of those that were invalid. The remainder would for the time being have the force of Austrian law.

With these constitutional acts as a basis, the Provisional Government proceeded with astonishing speed to issue the wide range of laws and decrees necessary for the reconstruction of the Austrian State. When the Government was recognized by the four occupying Powers on the 20th October, over 200 had been promulgated.

643 This remarkable legislative achievement was due very largely to the energy, ingenuity, and legal capacity of Dr. Renner himself. The unanimity rule made the legislative process more difficult. But the Chancellor declared on a number of occasions that he would assume a resolution had been approved, unless its opponents within the Cabinet were prepared to back their opinions by resignation. Being accustomed to night-work himself, Dr. Renner would often call Cabinet meetings for nine o'clock in the evening. The less controversial measures would be taken first, and by about midnight, when most members were suffering from hunger and exhaustion, the more difficult matters would come up for discussion. In those days lack of food was a serious consideration in the lives of all Viennese, and it was customary for wine and sandwiches to be served at the end of Cabinet meetings. Critical faculties were damped, therefore, and the democratic process was considerably eased by Dr. Renner's arrangement. The Chancellor would then sit up far into the night drafting the legislation based on the Cabinet's decisions.

663 The administrative tasks that confronted the Provisional Government were endless. It would take many months before anything like normal civic life could be restored.

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Nevertheless a great deal was accomplished at every level; by the Central Government itself, by the provinces, and by the municipalities. And it was not long before the results of their efforts could be seen. Following the example of Vienna, in some cases at the same time, the machinery of local government was set in motion in the villages and towns by the joint action of all parties. This work was carried out with the support of the Russian military authorities, who, however, did not attempt to exercise any undue influence. That this attitude should be taken by an occupying Power, in some cases while fighting was still in progress, is something for which the Russians deserve full credit. In Vienna, before the end of April, several tram services were again working, and gas and electricity were available in some parts of the city. At the beginning of May the first trains left Vienna for Klosterneuburg and Wiener Neustadt, and a restricted mail service was started again. At the end of the month the lighting of private houses was possible for short periods daily, and this was followed early in June by the restoration of street-lighting and a considerable relaxation of the curfew regulations that had been introduced in April. A very limited radio service had been opened in April, and on the 12th of June *Neues Österreich* announced proudly that for the first time for seven years the voice of Austria could be heard again by wireless in the outside world.

The two most serious matters to be settled were the problems of food and security.

The famine conditions in liberated Vienna could not easily be overcome. The city's supply problem since 1918 had always been a difficulty, and the situation in the spring of 1945 made it infinitely worse. The breakdown of communications, the vast number of refugees, and the inevitability of the Russian troops living partly off the country, when they first arrived, led in May to the reduction of the ration to 350 calories a day. The Austrians made every effort to improve the situation, though with little success. Figl's improvised collection service has already been described.¹ But the previous year's stocks were almost exhausted, and the prospects for the new harvest could

¹ [Ct, cat. 116, p. 20 — Analyst]

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hardly have been worse. The fighting in Lower Austria had coincided with sowing time; horses and tractors had been carried off; men of military age were still away, and the forced foreign labour brought in by the Nazis had disappeared. Women dared not go out on to the fields, and their menfolk were unwilling to leave them alone at home, with Russian troops in the neighbourhood. In these circumstances the well-intended exhortations of the *Bauernbund* and the efforts of the Lower Austrian Government could have little effect. The only hope was Allied help, and this was fortunately forthcoming. In May the Russian Army began to release food from its own stocks, and in September all four occupying Powers joined in alleviating Vienna's supply problem.

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The disintegration of the Austrian police that accompanied the liberation left the country without a force for the maintenance of law and order at a time when it was most needed. Joint Russian and Austrian improvisation, however, produced a reasonably satisfactory solution of this problem, though an increase of crime was inevitable under the exceptional conditions of the time.

The Russians first established groups of auxiliary police largely under Communist leadership in the Vienna districts and parts of Lower Austria. The Austrian partisan battalion from Yugoslavia, which arrived in Vienna on the 12th of May, was also installed as a kind of Communist party-guard in the Hofburg, the old Imperial Palace, which had become the Russian headquarters. But from the beginning loyal Austrian police officials were also working energetically for the re-organization of the police. They operated at first from the Auersperg Palace, the headquarters of the Resistance, and, as early as the 13th of April, contrived to get a poster printed calling on former members of the police who had not been Nazis before 1938 to present themselves at a rendezvous in the Kandlgasse. It was very fortunate that Oskar Helmer, the Socialist Under-Secretary in the Ministry of the Interior, was one of the strongest personalities in his party. He worked consistently to prevent the re-organized force from coming under

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Communist control and to emphasize the importance of professional training and experience. At his suggestion, on the 23rd of May, Dr. Pamer, a former Police President, replaced a Communist as Police President of Vienna. Finally, on the 13th of June, the whole force was formally taken over by the Police Directorate, a purely Austrian authority.

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By July the Vienna police were nearly 7,500 strong, though only some 1,000 of them had had previous police experience and many still owed their position to their political opinions. In September, at British instigation, the first meeting of the Allied Public Safety Committee was called. From then on the Austrian police were under Quadripartite supervision, and the three Western Powers were able to counterbalance Russian influence.

Dr. Renner's main concern, after his first few months in office, was to ensure the real unity of Austria. The Provisional Government had announced the restoration of the Austrian Republic and declared itself to be the Government for all Austria. Yet *de facto* its authority still only extended to those parts of the country that were occupied by the Russians; that is to say, Vienna, Burgenland, Lower Austria, and parts of Upper Austria and Styria. The Chancellor's two aims were to obtain the recognition of the Four Powers for his Government and reintegrate the country under its control. The continued division carried with it real dangers. Economically, the position was absurd. In so small a country, each part was dependent on the others for its survival. But the iron of Styria was cut off from the engineering industries of the Russian zone. The salt and meat of Salzburg and the Tyrol could not be brought to Vienna, and the oil, grain, and potatoes of Lower Austria were not available to the West. It had always been difficult to feed Vienna. Yet the task had become impossible in a house, as Dr. Renner put it, 'where the larder was walled off from the kitchen by zonal frontiers'.

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Since 1918 the mutual suspicion between Vienna and the provinces had been a menace to the country as a whole. The interests of the city and the rural areas were utterly different,

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and the contrast was accentuated by the fact that the capital was Socialist and the provinces largely Conservative. The isolation of Vienna from most of the provinces would therefore tend to revive an unhealthy animosity that years of common subjection to Berlin had done much to overcome. The Chancellor had every reason to fear such a development, because a movement for the formation of an Austrian government in the provinces occupied by the Western Allies had followed the liberation. This fortunately had failed. Had it succeeded, Austria might have shared the fate of Germany. Yet the attempt justified Dr. Renner's misgivings. Salzburg was the only province, outside Russian territory, that endeavoured to recognize the Provisional Government, and its overture to Vienna on the 24th of May led to a rebuke from the American Military Governor.

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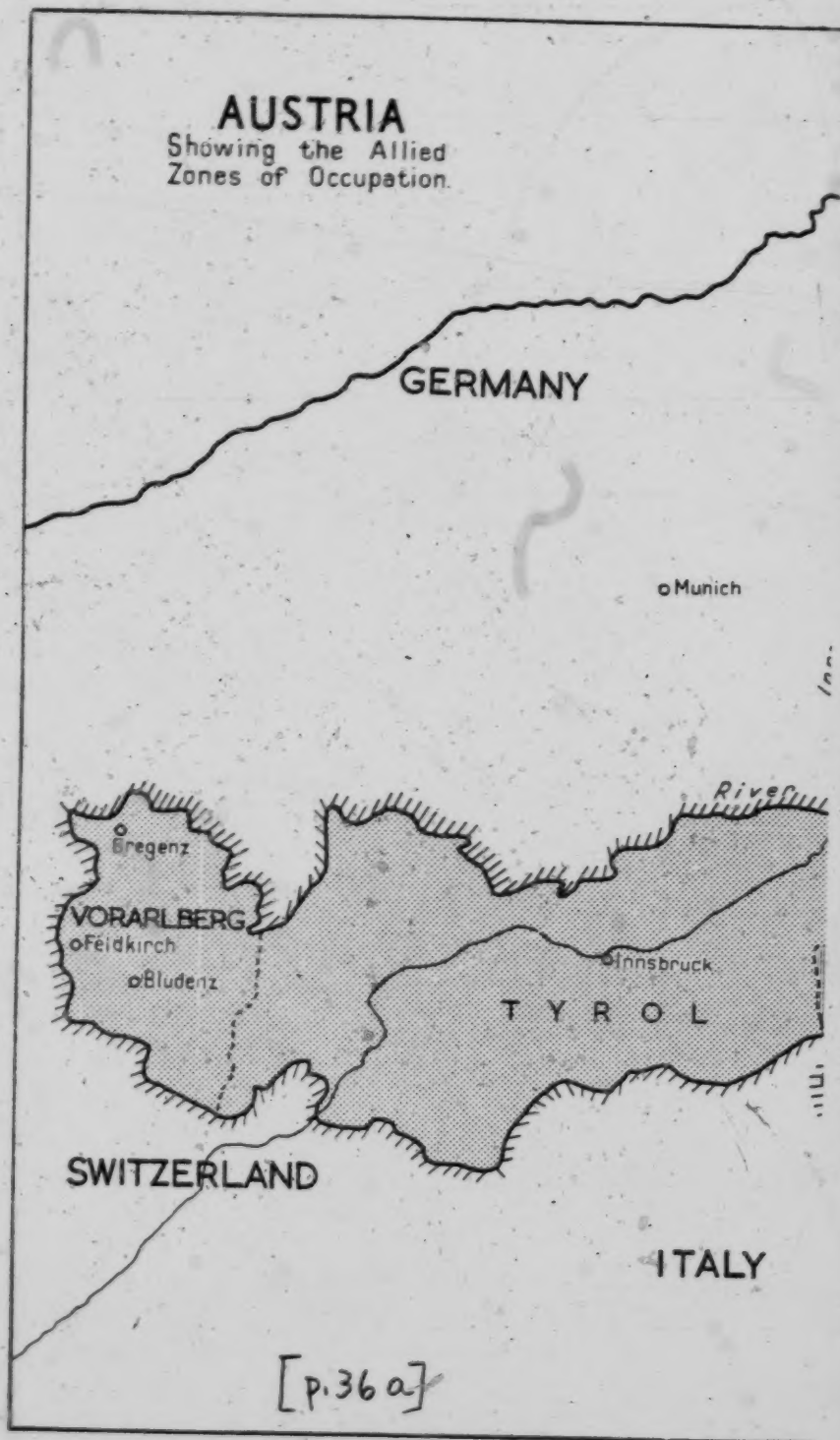
Conditions made it difficult to counteract separatist tendencies. The country was divided, and there were still no normal transport services between the different zones. It was easier to travel from Russian-occupied Austria to Czechoslovakia than to the Austrian western provinces; and easier to move between the cities of Salzburg and Munich, which were both occupied by the Americans, than between Salzburg and the Austrian capital. A messenger sent by Dr. Renner from Vienna to the Tyrol in May took seventeen days to make the journey and had to swim the River Enns, when he crossed the Russian frontier. An experienced member of the Resistance, well accustomed to travelling under difficulties, took a week to cover the same distance by car during the summer.

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The Western Allies at first decided not to recognize the Provisional Government. They were suspicious of it as a Russian creation in which Communist influence was unduly strong. Fortunately events so developed that this decision was reversed.

On the 4th of July the Governments of the four occupying Powers reached an agreement in London setting up a Control Commission for Austria. It was to consist of an Allied Council, comprising the four Allied High Commissioners, an Executive Committee, and departmental staffs. Vienna was to be con-

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727 trolled by an Inter-Allied Command, consisting of the four Military Commanders of the city. Thus a government for all Austria was set up, but it was not an Austrian government. More important from the Austrian point of view was the clause in the agreement describing the main objectives of the Commission. These included the establishment, as soon as possible, of an Austrian central administration and a freely elected Austrian government.

On the 9th of July a further agreement was reached defining the Allied zones of occupation and the districts of Vienna that were to be allotted to each Power. Russia was to have Burgenland, Lower Austria, and Upper Austria north of the Danube; the United States, Salzburg and Upper Austria south of the Danube; Britain, Styria and Carinthia; and France, Tyrol and the Vorarlberg. The districts of Vienna were to be divided amongst the Powers, except for the First District or Inner City. This was to be controlled direct by the Vienna Inter-Allied Command, within which, month by month, each Power was to provide the chairman in turn.

Following these agreements the Commanders-in-Chief of the Western occupying Powers arrived in Vienna during August with their staffs. After preliminary negotiations with the Russians, the first meeting of the Allied Council was held on the 11th of September and the first meeting of the Vienna Inter-Allied Command on the 19th. At the Council meeting an important proclamation was issued to the Austrian people. It announced that the Allied Council had assumed the supreme power in matters that concerned the whole of Austria. The intention of the Moscow Declaration to re-establish a free, independent, and democratic Austria was confirmed. The most pressing tasks were described as the unification and economic restoration of the country and the elimination of the consequences of war. And the Allied authorities undertook to allow the political parties freedom to make known their political views through the Press, the radio, and public meetings, as an essential preliminary to the holding of free elections.

The arrival of the Western Allies in Vienna was timely. The

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Russians had been in sole control for four months, and Western suspicion of their influence was growing. On the 19th of August a public ceremony took place that symbolized their position. Accompanied by the firing of hundreds of rockets, a memorial was unveiled in the Schwarzenbergplatz which represented a Russian soldier with flag and shield as the emblem of liberation. Though not objectionable in itself, its position in front of the beautiful Schwarzenberg Palace spoilt one of the finest city views in Europe. The Viennese resented its inartistic intrusion and called it the 'Unknown Plunderer'. One day, it is hoped, the Russians will transfer it to a more fitting site in the Prater, where the Red Army fought to free the city.

In spite of the proclamation of the 11th of September, the Western Allies wished to have three points settled before they recognized the Provisional Government. They wanted to be sure that it was a suitable government for the whole of Austria. They wanted to be certain it had the approval of the provinces. And it was necessary to settle between themselves and the Russians what the relationship of the Government to the Allied Council should be. Before the end of September the second point was established beyond doubt.

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After the First World War a series of provincial conferences had been called to deal with the immensely difficult problems of the time. Dr. Renner had seen their value then, and he was convinced that they could make a valuable contribution again. Some senior Allied officers felt the same. So, with the approval of the Allied Council, whose permission was needed to allow the delegates to travel to Vienna, an all-party Provincial Conference was called for the 24th to the 26th of September. It was no coincidence that during the four previous days the People's Party held a provincial conference in Salzburg. Austrian opinion at the time was strongly in favour of country-wide co-operation.

The conference was held in the Provincial Chamber of Lower Austria in the Herrengasse. Leopold Figl, as Governor of the Province, greeted the assembled representatives by expressing the hope that they could prove to the Allies that

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they were worthy of directing the destiny of their country and their people themselves. He was followed by Dr. Renner, who gave a vivid description of the frustration and impotence that resulted from the division of the country. Certain differences revealed themselves in the course of the discussions. Dr. Renner himself had shown centralizing tendencies as head of the Provisional Government, and Dr. Gruber, as Governor of the Tyrol, had been inclined to take an independent line. There were problems, therefore, that had to be thrashed out. But the conference, on the whole, was a great demonstration of unity. Dr. Heinrich Gleissner, the past and future Governor of Upper Austria, set the tone that prevailed and expressed the feelings of the provincial representatives in a statesman-like speech, when he spoke of the sense of home-coming they had all experienced as they climbed the steps leading into the Vienna Town Hall. 646

There were four immediate results. The Government was broadened to include representatives of the provinces, the most significant appointment being that of Dr. Gruber, as Under-Secretary in charge of External Affairs. A legal commission of the Provincial Conference was appointed to consider the suitability of the Provisional Government's laws for the provinces. The outlines of an economic programme were drawn up; and a recommendation was made that general elections should be held in November. 646
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Two more Provincial Conferences were held during October, at which the provincial delegates made further important decisions. The laws and ordinances passed by the Provisional Government were accepted. It was agreed that the legislative powers of the provincial chambers under the 1929 constitution should be restored. Recommendations were made regarding procedure at the coming elections, and the exclusion of former National Socialists was proposed. The Government's economic plans were endorsed, including an appeal for help to UNRRA. Most important of all was the moral support these further meetings gave the Chancellor in his vital negotiations with the Allied Council.

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When the Western Commanders-in-Chief first arrived in Vienna, the Provisional Government was not recognized by them, and they did not at first enter into official communications with it. Before long, however, the British and American Commanders interviewed Dr. Renner and apparently satisfied themselves that he was a suitable Chancellor and no mere puppet of the Russians. They were further reassured by the results of the first Provincial Conference.

Two of the conditions necessary for recognition of the Renner Government had therefore been achieved, and the Allied Council proceeded to consider what the relationship should be between the Control Commission and an Austrian Government. At its meeting on the 1st of October it decided to recommend to the Governments of the four occupying Powers that the Provisional Government's authority should be extended to the whole of Austria and recognized, subject to certain conditions. The most important condition was that some functions of government should be reserved to the Allied Council, and this was a point on which the Four Powers could not agree.

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On the 13th of September Dr. Renner had sent a note to the Allied Council requesting the unification of Austria, the recognition of his Government, and the holding of free elections. The Allies now decided on recognition without waiting for agreement on the question of reserved functions. During its meeting on the 20th of October Dr. Renner was summoned and informed of this decision. The main conditions of recognition were that the Provisional Government should exercise its functions subject to the guidance and control of the Allied Council as the supreme authority in Austria; that certain functions of government should be reserved to the Allied Council; that one of the main duties of the Provisional Government should be to hold free elections as early as possible, and not later than the end of the year; that the Provisional Government should be empowered to enact laws applying to the whole of Austria, provided that they were first submitted for approval to the Allied Council, and that nothing in the condi-

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727 tions should affect the validity of any Military Government
648 legislation then in force or afterwards enacted. The Allied
642 Commission also proceeded with the task of examining, and
where possible approving, the laws and decrees issued by the
Provisional Government since the 1st of May.

The formation of the Provisional Government in April had
been Dr. Renner's first great service to Austria since his return
to active politics. The Allied recognition of his Government
marked the second stage of his achievement and was of in-
calculable importance to the future of the country. Without it
the danger still remained that Austria might suffer lasting
division and the fate of Germany. It is not surprising, there-
fore, that the British officer who went to fetch the Chancellor
to the Allied Council meeting on the 1st of October noticed
an unaccustomed nervousness on the part of this experienced,
sophisticated, but deeply patriotic statesman.

666 The main task that faced the Provisional Government, after
it had been recognized, was the organization of elections. An
electoral law, after amendment by the second Provisional Con-
ference, had been passed by the Government on the 19th of
October and approved by the Allied Council on the 30th. It
was based on the electoral law of the First Republic, modified to
disfranchise Nazis and candidates for the Nazi Party, unless
they could prove they had suffered political persecution under
the Nazi régime. On the 27th of October the Government,
in the name of all three political parties, issued an appeal to the
Austrian people, calling on them in the traditional manner, as
befitted a civilized and freedom-loving people, to cast their
votes for one of the three democratic parties.

On the 25th of November the elections were held. They
passed off in a most orderly manner, 93 per cent of the electors
casting valid votes. It was generally agreed that the Austrian
people were able to vote freely in accordance with their
political opinions. By the end of the month no charges of
fraud nor complaints from either parties or individuals had
been lodged regarding the election. In view of the nature of
some of the elections that took place in Central and Eastern

666 Europe after the War, the fairness of the Austrian elections has caused some surprise, but this is largely due to a misunderstanding of Austrian conditions at the time.

In the first place, the influence of the Western Allies was exerted wholeheartedly in favour of freedom and impartiality, and, supported by them, the Austrian Government made sensible and efficient arrangements, including precautions against possible malpractice. A special commission was set up to supervise the elections, comprising two members of the People's Party, two Socialists, and one Communist, with Dr. Sommer, a Right-Wing Under-Secretary in the Ministry of the Interior, as Chairman. Polling day was fixed for November, before mountainous districts were likely to be snowed up, and the procedure was simplified so that ballot boxes, as far as possible, could be collected for counting before dark. Free expression of opinion during the campaign was possible through the newspapers of the three main political parties that had been started early in August.

Secondly, the Russians and the Austrian Communists co-operated to carry through the elections with reasonable fairness and had little temptation to do otherwise. There is every indication that the Austrian Communists were more optimistic than the outcome warranted and that the Russians were confident of a fairly favourable result from the Communist point of view. Some were convinced they would obtain 40 per cent of the votes. For several months before the elections senior Russian officers invited the leaders of the People's Party and the Socialists separately to meet them at the Imperial Hotel, when, amongst other matters, the election prospects were discussed. On one occasion the People's Party representatives pointed out that the Communists had the advantage of motor fuel from Russian sources; whereupon they were asked to name their party's needs and obtained an allocation of two tons the next day.

666 The elections resulted in the People's Party obtaining
665 1,598,444 votes and 85 seats, the Socialists 1,428,441 votes and 76 seats, and the Communists 174,387 votes and 4 seats. This

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was a striking proof of the persistence of party loyalties in Austria, in spite of all that had happened during the previous twenty-five years. Both in 1919 and 1930 the Right Wing had obtained the most votes and the Socialists had followed quite closely behind. In 1930 the Socialists had obtained just over 41 per cent of the votes, and the Communists, without the moral support of a strong occupying Power, less than 1 per cent.

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For the victory of the Austrian People's Party there were three main reasons. The great majority of peasants were conservative; the party appealed to the country's growing patriotic sentiment, in contrast to the Socialist tendency towards Marxist internationalism, and the majority sympathized with Dollfuss and Schuschnigg in their insoluble dilemma and did not look upon them as Fascist betrayers of democracy.

On the other hand, the Social Democrats had as much reason to be satisfied with the result of an election, in which they had appreciably increased their proportionate strength. Their improved position was due to their strong party discipline and loyalty, the lasting value of their social achievement, and the fact that their party had never compromised in its opposition to Fascists and Nazis.

The Communist failure was of great significance. The Russians themselves were bitterly disappointed and offended by the election result and have never quite forgiven the Austrian Communists either for their failure or for their mistaken estimate of the position. But the Russians had only themselves to blame. There is no doubt that the Austrian workers, after their experiences under Dollfuss in 1934 and during seven years of Nazi domination, were ready for a complete change and genuinely welcomed the Russians as liberators. But the harsh and arbitrary record of the Red Army, the looting and bestial behaviour of some of the Russian troops, especially towards women, completely changed their attitude. If such things were the result of the Communist experiment, it was an experiment the Austrian people had no wish to make. Dr. Renner once remarked that Stalin had made only two mistakes: he had shown Central Europe

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to the Russians, and he had shown the Russians to Central Europe. The first error could be rectified by ensuring that the occupying troops did not stay long enough in Central Europe to feel at home. But the results of the second mistake will take many years to eradicate.

In Austria, in the spring of 1945, the Russians had the game in their hands, and from then on they played it very badly. A great opportunity was missed, as in the rest of the world, where a moderate and enlightened Communist policy, following Russia's heroic struggle against Germany, would have been irresistibly attractive to millions.

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The results of the election became known on the 24th of November. Two days later the Provisional Government resigned. The Political Cabinet Council accepted its resignation, entrusted it with the temporary administration of public business, and at the same time called on the Austrian People's Party to nominate someone to form a government. The choice fell on Leopold Figl, who had for some months been Chairman of the party and, like Dr. Dollfuss, owed his influence in the party and the country to his work for the *Bauernbund*. During the election campaign all three parties had declared that they were in favour of further collaboration after the election. A Coalition Government was therefore formed in which there were eight representatives of the People's Party, six Socialists, and one Communist. The approval of the Allied Council was given on the 18th of December.

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On the following day the new National Assembly met for the first time, and Dr. Renner presented a report on the work of the Provisional Government. At the same time, the Second Chamber, known as the Federal Assembly, which had been elected by the Provincial Chambers according to the constitution, held its first sitting. On the 20th of December the two Houses met in joint session and elected Dr. Renner Federal President by 204 votes out of 205, one member abstaining. The new President's first duty was to swear in the members of the new Government.

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It was a fitting gesture of recognition that a Socialist should have been chosen President by a virtually unanimous vote after an election in which the Right Wing had headed the polls. At the beginning of April Dr. Renner told the Russians that he had been preparing himself for the time when Austria would need him again. He rose to the opportunity with distinction, when it came. He gave order, when there was danger of anarchy, and he gave unity, when division threatened to persist. Throughout the seven months' life of the Provisional Government there was no strike and no political breach of the peace. Above all, Dr. Renner provided an example of political tolerance and co-operation in contrast to the conflict of the past. This set the tone for the reborn country in the post-War years.

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IV

Coalition and Quadripartite Control

645 LEOPOLD FIGL, the new Chancellor, was very different from his predecessor. He was considerably younger, and he lacked Dr. Renner's intellectual distinction and breadth of background. Yet the two men had certain qualities in common that are of importance in a prime minister: they both possessed the tact and magnanimity that enabled them to manage their colleagues and rise to the level of great responsibilities at a critical time. Figl was suited by nature to follow Renner's example of tolerance and co-operation. This was revealed in the skill with which he formed the Coalition and in his success in remaining head of it for more than seven years.

The offices in the new Government were distributed wisely, so that the two main political parties were satisfied with the result. Dr. Schärff, the Socialist leader, became Vice-Chancellor. The economic appointments were divided. The People's Party provided the Foreign Minister in Dr. Gruber and the Minister of Education in Dr. Hurdes, while the Socialists, Helmer and Maisel, took the Ministries of the Interior and Social Welfare, the latter being a post to which their party attached special importance.

The results of the election did not entitle the Communists to a seat in the Cabinet, but they were given one in order to propitiate the Russians and rally forces in the emergency. A Communist, Dr. Karl Altmann, was therefore made Minister of Energy and Electrification, an appointment especially created for his and his party's benefit.

642 From the constitutional point of view, the Provisional Government had been only a temporary expedient to tide over the transitional period until free elections could be held. After the elections, in order to legalize the position, legislative acts of the previous seven months had to be confirmed. One of the

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first decisions of the new Parliament, therefore, when it met on the 19th of December, was to adopt the constitution of 1929. Dr. Renner, in his New Year's Eve broadcast to the Austrian people, emphasized that the laws issued by his Government had been dictated by the force of circumstance and must now be verified by the people's representatives. 642

There were compelling reasons for having a coalition. In times of great emergency it is a healthy democratic instinct that brings political parties together to work in the common cause. Britain resorted to coalitions in both World Wars, and the First Austrian Republic had done so in the first two years of its life. The problems facing the country in 1945 were as difficult, if not so fundamental, as those that presented themselves in 1919. There was still an acute shortage of food and fuel. Although the country had gained a measure of unity since the recognition of the Central Government by the occupying Powers, the zonal frontiers remained, and each Power had special rights in its own zone. Moreover, seven years as part of the German Reich had left Austria no contacts of her own with the outside world. While his Government was still in process of formation, Leopold Figl summed up its main tasks as ensuring the necessities of life for the people, creating a unified Austria, and restoring her relations with foreign countries, especially with her neighbours. As gradual progress was made in the solution of these problems, a fourth objective of increasing urgency emerged which held the two main parties together in joint endeavour: the signature of a State treaty that would bring an end to the occupation and re-establish Austria as a sovereign State. [185]

Though these exacting tasks were sufficient to justify the existence of a coalition, there were other reasons for it which arose out of the nature and previous record of Austrian democracy.

The elections had shown that the two main political parties were closely matched in strength. The probable alternative to an alliance between them, therefore, would be tense political strife, which, in the circumstances of national emergency, 665

665 would be suicidal. In 1950, after nearly five years' experience of the Coalition, Oskar Pollak, the Socialist editor of the *Arbeiter-Zeitung*, a man of the strongest party convictions, wrote:—

When a democratic country owing to the class division of its people . . . is split into two great camps, two parties of approximately equal strength, this country cannot be governed by democratic methods against the will of one of the two parties. . . . History has shown that every attempt to rule such a country through one half of the population against the wishes of the other must lead to the jeopardizing and even to the annihilation of democracy.

Pollak, of course, had in mind the history of his own country between the Wars.

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642 Memories of the bitter political conflict and division between 1920 and 1938 had a powerful influence on the course of post-War politics. After the First World War the coalition experiment had lasted for only two years, and it was clear in retrospect that this had been a mistake and that the statesmen who had worked to renew collaboration had been on the right lines. A particularly sinister aspect of Austrian party cleavage was the geographical aspect that has already been mentioned, Vienna since 1918 having been predominantly Socialist and the provinces mostly Right Wing in sympathy. Giving free rein to political rivalry, therefore, would have involved accentuating the division between the provinces and the capital that was already a serious danger.

Finally, the Coalition solved, as far as was possible, the problem of maintaining good relations with Russia and the other occupying Powers. Russian disappointment with the election results went deep, but it was some compensation that the Communists were given not only a seat in the Cabinet but membership of the parliamentary Main Committee as well. Figl described his new Government diplomatically as a 'government of concentration', and this point was seized on as something of a forlorn hope by Ernst Fischer, who in an article in *Neues Österreich* on the 18th of December 1945 emphasized the difference between a mere parliamentary

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'coalition' and a 'concentration of democratic forces' that applied to every level and category in the life of the State. 665 642

As the Austrian Coalition has survived for so long, it is important to understand its nature. It differs considerably from coalitions to which other democratic countries are accustomed, and the difference results from the special characteristics of the Austrian party system and the Austrian form of democracy.

In France the numerous political parties are distinguished from one another in some cases by almost imperceptible shades of political opinion. In the United States the two great political parties could simultaneously hope to win Eisenhower as their leader; while in Britain moderate leaders from opposite sides, like Baldwin and MacDonald, Eden and Bevin, can follow each other with little noticeable break in continuity. But the record of the Austrian Republic has, on the whole, been very different, though the contrast is in process of modification. On the one side are the Socialists, with their radical idealism, their materialism, and their admiration for the Marxian analysis; on the other side, the Right Wing, with its Catholicism, its respect for tradition, and its varying forms of nostalgia for the past. They differ from each other not only in temperament and in their views on the speed and method of political advance but, in many cases, in their whole attitude towards life and its purpose and towards the nature of society and the State. This fundamental contrast in *Weltanschauung*, or philosophy of life, has been one of the main reasons for the stability of party loyalties in Austria through the years. People are much less likely to change their allegiance if religious conviction and deep-rooted social attitude are involved, than if the alteration merely concerns the method of approach to a broadly similar ideal. 665

The contrast is sustained, and tends to be increased, by the dominance and rigidity of the party organizations in Austrian politics. Voting is according to the system of proportional representation and the party list, the whole country being divided into no more than twenty-five electoral districts or 665 666

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[666] constituencies. The elector does not vote for the man of his choice but for a list of candidates selected by the leaders of his party. There is therefore no personal contact between the member of parliament and his constituents, and even the politically minded citizen usually does not know the names of the members who represent him. Once in Parliament the member feels himself to be less a representative of the electorate than an official of his party, and the discipline of the party parliamentary club is strong. The club determines how he shall vote and sometimes how he shall speak. The opportunity for the individual to influence the democratic process outside the club is small, and the occasions are very rare when a parliamentary debate develops along lines unforeseen and unplanned by the party organizers.

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664 The impersonal nature of the legislative procedure is increased by the rule requiring certain draft laws to be referred, before submission to Parliament, to Chambers representing sectional interests of the community, such as the Chamber of Agriculture and the Chamber of Workers and Employees, in which party interests are often strong. In the case of Bills wholeheartedly approved by the interests concerned, the subsequent parliamentary proceedings tend to lose in significance.

665 The large part played by the party machines in the whole process of government accentuates political antagonism. Individuals have a greater capacity for compromise than organizations, and under the Austrian system the scope given to the human element is reduced to a minimum.

This state of affairs contributed much to the intensity and bitterness of the political conflict between the Wars. The opposing parties, with their utterly different ideologies, were so taken up with the trial of strength between them that they mistook the means for the end. They forgot that the true purpose of the democratic process is to find something out and, having come as near as possible to discovering the best course, to act upon it. Such qualities as humour, good nature, friendliness, and a capacity to live and let live make Austrians natural democrats. Yet these very qualities were squeezed

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out of political life by the ruthless working of the party machines. With a measure of justice Christian Socialists accused Social Democrats of putting party before country; of obstructing legislation during their long period in opposition, and of seeking to establish something like a dictatorship of the proletariat. With as much justice the Socialists accused the Right-Wing parties of the arrogant assertion of power; of undermining the democratic system, and finally of dispensing with Parliament and establishing a form of government on the Fascist model. 665

Such a party system and such a background of party strife mean that a coalition government in Austria is a very different thing from a war-time coalition in Britain or a working group of political parties in France. The Austrians learned much from the pre-War tragedy and much from the Nazi ordeal. But political memories are retentive and party differences deep-rooted, and the recollection of the between-War period, though salutary as a warning, still hangs like a curse over Austrian political life. There are very few Austrians who can speak or write of the time with anything approaching objectivity. It is therefore hardly surprising that the Coalition has had its ups and downs. There have been occasions in its existence when it has seemed on the verge of collapse. Yet its very precariousness has increased its value to the country. If politicians have a tendency to fly at one another's throats, it is all the more important, in a time of national emergency, that they should be held together to serve the common cause. 642 665

The inherent tension in Austrian political life has affected the nature of the Coalition in one particular way. There has been a common acceptance of the principle of what is called *Proporz*; that is, the principle that the proportionate strength of the parties in Parliament should be reflected not only in the allocation of Cabinet seats but in the distribution of public offices in general. Each party claims a right to a share of representation in the policy-making governmental committees, the boards of directors of nationalized industries, and even in administrative and industrial appointments at a lower level. The system has

642 its advantages in a coalition where party rivalry runs high.
 665 Occasions for friction are reduced to a minimum, because every party has its due share of influence. Ministers can surround themselves with officials of their own way of thinking in the knowledge that their colleagues belonging to other parties will do the same. On the other hand, in the long run the system has serious disadvantages as well. It is the mathematical *reductio ad absurdum* of the over-organized coalition. A great strain is placed on political sincerity when party membership is known to be the key to office. Political opinions come to be the main qualifications for appointments in which technical knowledge and experience should count for most. Above all, the party aspect of political life is continuously emphasized, when it is most important it should be played down, and an atmosphere of huckstering prevails in the appointment to offices where ability and devotion to the State service are the qualities most required.

Nevertheless, in spite of weaknesses, the Coalition has succeeded and survived. On the whole, it has been a healthy influence in Austrian political life. Its dangers have been less serious than unbridled political conflict. In 1945 eleven years of authoritarian government had created a gap in Austrian political experience. Some of the new leaders had had no parliamentary experience. Those who had were mostly old and nearing the end of their careers. The new generation of politicians, however, is accustomed to compromise and collaboration. It has grown up under a Chancellor and two Presidents who put party second to the State. It has been schooled by external pressure to appreciate the value of the heritage that all political parties share.

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 642 The Coalition, however, has never had full responsibility for the government of Austria. It has been subject continuously to the authority of the Allied Control Commission made up of the four occupying Powers.

The system of supervision established on the 20th of October 1945, when the Allied Council recognized the Provisional Government, lasted for just over eight months. It involved

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very close control. Although the Allies could not agree on the functions to be reserved to the Council, the provision that all laws must be submitted for the Council's approval gave it the last word, so far as legislation was concerned. By the end of January 1946 nearly 300 laws and decrees of the Austrian Government had been considered and acted upon by the Allied Council, aided by its legislative committee. Of these the great majority were approved, though some were amended and a few rejected outright. A significant case of the Council asserting its authority was the demand in November 1945 that all laws and orders of the Provisional Government dealing with military matters should be annulled. The Government Declaration of the 27th of April had mentioned a modest defence force, and Dr. Renner's original Cabinet had included an Under-Secretary for Army Affairs.

This state of tutelage and subjection was tolerable only as a temporary expedient. It was in flat contradiction to the declared intentions of the Allied Powers. At Moscow, Churchill, Roosevelt, and Stalin had described Austria as a victim of Nazi aggression. At Yalta they had declared their intention of restoring to such victims their sovereign rights and self-government in accordance with the principles of the Atlantic Charter. The Austrian Government had every right to demand that this decision should be carried out, and the occupying Powers themselves would reveal the sincerity of their diplomatic convictions by the efforts that they took to implement it.

During the spring of 1946 a series of powerful pleas were made on the Austrian side for revising the system of Allied control. On the 5th of April Dr. Renner gave a lecture to the Austrian League for the United Nations entitled 'Austria, St. Germain, and the Coming Peace'. In it he made the comparison between Austria's position after the two World Wars to which reference has already been made. Two weeks before, Karl Seitz, the veteran Socialist leader, made a speech in Parliament in which the authentic voice of democracy was heard. He spoke of the power of veto in parliamentary history

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642 and the hesitation of even kings and emperors to make use of
 727 it, because it brought them into conflict with the people. In
 Austria, however, laws now passed by the freely elected representatives of the people were subject to the sanction of authorities outside the State. After a great war against Fascism in Europe they could be proud that Fascism had been driven out, but the Allied champions of democratic rights were now claiming the right to approve laws passed by the Austrian Parliament. He ended:—

'We appeal to the democratic sense of the English, French, Russian and American peoples. We appeal to them: safeguard your own dignity by safeguarding the dignity of this small Austrian State and its parliament. . . . Democratic countries of Europe: protect your most important and your greatest idea, protect Democracy.'

727 Shortly afterwards the Vice-Chancellor, Dr. Schärff, accompanied by Dr. Pittermann, a fellow Socialist and member of
 648 Parliament, paid an unofficial visit to London, where they met members of the British Labour Party. Schärff took advantage of the opportunity to impress on Ernest Bevin the urgent need to improve the conditions governing the occupation of Austria. The British Government were willing listeners. The four occupying Powers were bound by their agreement of the 4th of July 1945 to decide on the new relationship that should exist between themselves and the Austrian Government after the elections had taken place. Even before the elections were held, in November 1945, the British Element of the Control Commission in Vienna had started work on a draft agreement, and early in 1946 Allied quadripartite discussions on the British draft had begun. Months of hard negotiations followed, and by June a revised occupation statute was ready for signature. It was perhaps fortunate that during that month the British, who had taken the initiative in the matter, occupied the chair in the Allied Council. The persuasiveness of Lieut.-General Steele, the new British Commander-in-Chief, overcame the final minor differences.

727 The New Control Agreement was signed by the occupying

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The New Control Agreement was signed by the occupying Powers on the 28th of June 1946. It is a document of great importance. Following the recognition of the Provisional Government in October 1945, it was the next great step forward in the rebuilding of the new Austria, and with minor modifications it has determined the nature of the post-War régime in Austria ever since. 727 642

According to the agreement the main structure of the Allied Control Commission remained unchanged. It was to consist of a Council, an Executive Committee, and departmental staffs. But the members of the Allied Council were now described as High Commissioners, and it was laid down that the departmental staffs were to be organized in divisions, corresponding roughly with the Ministries in the Austrian Government. The Allied Council had powers of supervision over the whole administration, but was to exercise it normally through the Central Government or the Austrian authorities concerned. The Commission could take measures to deal directly with the following reserved subjects: demilitarization; war criminals; security of the Allied occupying Forces; the care and restoration of the property of the Governments and citizens of the United Nations; disposal of German assets; the care and movement of prisoners of war and displaced persons, and the regulation of travel in and out of Austria, until Austrian controls could be set up.

In general, the authority and responsibility of the Austrian Government and civil authorities were substantially enlarged. The powers of the Central Government extended throughout the whole of Austria, subject only to the obligation to carry out the directions of the Allied Commission and to the reservation of the above subjects. Austria officially became an economic entity again. The function of the zonal boundaries was reduced to fixing the spheres of authority of the four occupying Powers, and in the provinces direct control of the military governments was replaced by watching briefs to ensure that the orders of the Central Government and the Allied Council were obeyed. Provision was made for the establishment of an Austrian customs and frontier control

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727 administration and for the transfer to it as soon as possible of such functions as would not interfere with the military needs of the occupying forces. The civil administration of the city of Vienna was to be handed over by stages from the Inter-Allied Command to the municipal authorities.

The legislative power of the Austrian Government was greatly increased. It was still obliged to submit all legislation to the Allied Council, but only constitutional laws required the Council's unanimous approval. In the case of all other legislative measures the rule applied that they went into effect if within thirty-one days the Government had not been informed of an Allied veto. As the veto had to be unanimous, this rule ensured that the great majority of laws became effective, even if they met with Russian opposition.

Agreements between the Austrian Government and one of the four occupying Powers did not have to be approved by the Allied Council, but the Council had to be informed of their existence. The Government was also allowed to establish diplomatic and consular relations with Governments of the United Nations without approval of the Council. The establishment of relations with other Governments was permitted, but only with the Council's consent.

In view of the persistent efforts of the Russians later to obstruct the legislative activity of the Austrian Government, it is surprising that they should have ever agreed to an arrangement that considerably increased the Government's legislative powers. It may be that they had not entirely given up hope of gaining control of Austria by the technique of democratic solidarity and national concentration. It is possible that Stalin was in favour of greater autonomy for the country where he himself had studied the problem of nationality, and that afterwards he changed his mind. But it is most likely that the Russian negotiators did not understand the implications of what they were doing. The original British idea was that all Austrian legislation should take effect that was not subject to unanimous Allied veto. The Russians objected to this. So a compromise was proposed, by which constitutional laws were

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put in a separate category. It is highly probable that the Russians did not fully appreciate the difference between constitutional and ordinary laws and imagined that much of the legislation they were likely to disapprove would fall into the constitutional class.

The last article of the New Control Agreement stated that within six months of signature the Four Powers should start discussions regarding its revision. Yet they have not so far succeeded in agreeing on anything to take its place, and it has remained the statutory basis of the Allied occupation ever since. The day after the agreement was signed, in a special Cabinet meeting, Figl summed up the Austrian attitude by saying: 'To our thanks to the Allies for the New Control Agreement we add the request that they will show us further proof of their confidence and give our country full freedom.' An arrangement which was welcomed by the Austrians in 1946 has, as the years have gone by, become increasingly the formula of their country's servitude.

Because the general pattern of Allied occupation in Germany and Austria was originally similar, with the Russians occupying the eastern parts of both countries and the capital in each case an isolated island in the Russian zone, there has been a widespread tendency to identify, and therefore confuse the situations of the two countries. Actually their positions since October 1945 have been fundamentally different. There has never been a government for all Germany since the War. When differences between Russia and the West led to the union of the American, British, and French zones to form Western Germany, its capital was established not in Berlin, but in Bonn. In Austria, on the other hand, there has been a Central Government in Vienna since the four Powers recognized the Provisional Government on the 20th of October 1945, and since the 28th of June 1946 it has had considerable, if restricted, powers. The Austrian Government is subject to the supervision of the Allied Control Commission, and the system of quadripartite control, after a fashion, does work. There are frequent differences between the Western Allies and

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THE INTERNATIONAL MILITARY POLICE PATROL Facing [P. 58]

[USIS, Vienna]

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727 the Russians, but these mostly reflect the different views of the Russian and Western Governments regarding the rights and status of Austria. The Allied Council meets every second Friday in Vienna, with each High Commissioner taking his turn in the chair. The Vienna Inter-Allied Command retains a watching brief over the city's administration. And, as the best-known symbol of the reality of the improbable, the International Military Police Patrol carries on its duties in the capital, with American, British, French, and Russian military policemen driving 'four in a jeep' together.

Austria provides proof in practice that representatives of Russia and the West can get on reasonably well together. Members of the Allied Council exchange jokes and social conversation over tea or vodka after days spent in verbal contest. Russian officers give and attend Inter-Allied and Austrian receptions, and, though fraternization at lower levels is more rare, it does occasionally take place. A Russian band and group of dancers were reported to have been received with enthusiasm at an 'Inter-Allied sports evening' that was held in Vienna early in 1952.

The Allied occupation has dragged on for more than seven years since the War ended. To use Dr. Renner's phrase 'the four elephants in the rowing-boat' have stayed aboard and impeded the small vessel's progress. The country has been burdened financially by occupation costs and economically by Russian confiscation of so-called German assets. The continued presence of the Allied armies is a by-product of the diplomatic conflict between Russia and the West, but it is indefensible in the light both of Austria's record and of the Allies' declared intentions.

On the other hand, there has been something on the credit side, so far as the Allies are concerned. For a long time the Western Allies, in Mr. Acheson's words, have 'wanted to go home', and, although it has not been possible for the four Powers to agree on the terms of a State treaty, the three reluctant occupants have done what they could to improve the situation from the Austrian point of view.

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727 In the first place, the burden of the occupation has been progressively reduced. During the course of 1946 the total strength of the occupying forces fell, in round figures, from 700,000 to 120,000. During the spring of that year the three Western Powers proposed that the maximum strength of troops in each zone should be 25,000. The Russians refused to agree and would not even discuss a proposal for more drastic reduction put forward in 1948. But the process of reduction nevertheless went on. In the autumn of 1950 it was estimated that the combined forces of the Western Powers totalled less than 25,000, while the Russians numbered some 44,000.

Occupation costs were cut correspondingly. During the first eighteen months of the occupation its cost was estimated by the Austrian National Bank at 3,600 million schillings, more than half of which had been incurred by the Russian Army. In 1952 the total cost was 453 million schillings, though the schilling was worth less than in 1946. This meant that the percentage of the total national budget spent on the occupation was less than half of that devoted to military expenditure in 1937. In June 1947 the American Government renounced its claim to occupation costs from the Austrian Government and undertook to pay in dollars for all services and supplies furnished by the Austrian economy for the maintenance of American troops. It also agreed to pay 308 million schillings in respect of outstanding obligations. Henceforth the American forces in Austria were justly described as 'paying guests'.

In 1952 a further step was taken by the Western Powers to aid the Austrian economy with the decision to build special accommodation for their troops. This enabled them to release requisitioned houses much needed by the people and hotels urgently required for the use of foreign tourists. The example was set by the Americans, when they planned to build a military town near Salzburg. It was followed by the French at Innsbruck and by the British at Zeltweg in Styria.

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648 The restoration of Austrian sovereignty is dependent on the signature of a State Treaty, but the Western Allies meanwhile

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648 have done all that they can to restore normal diplomatic relations with the Austrian Government. All four occupying Powers had agreed to exchange political representatives with Austria before the end of 1945. During the next two years the Allied representatives in Austria were given full diplomatic status, and in 1950 the Governments of the three Western Powers announced that their diplomatic representatives had been appointed High Commissioners. This meant that each of the three Powers had separated the command of its Army of Occupation from the High Commissionership, and that the Western members of the Allied Council would in future be civilians.

The United States and Britain have also contributed a great deal to the industrial and agricultural revival of Austria. This subject will be considered in more detail in connexion with the country's economic recovery. But it is something that cannot be overlooked in dealing with the positive aspect of the Allied occupation. The presence of American and British economic experts in Austria during the post-War years has been of direct and indirect value to the country. In particular, the United States' responsibilities as an occupying Power have added realism and vitality to the execution of the European Recovery Programme in Austria.

645 From December 1945 until February 1953 the Coalition Government of Figl and Schärff under quadripartite control gave stability and continuity to Austrian political life. Within this constant framework, however, significant changes took place.

In November 1949 a currency reform law was approved by the Cabinet in spite of Communist opposition. It was the first occasion since the formation of the Government on which the principle of Cabinet unanimity was abandoned, and Dr. Altmann, the Communist member, resigned. The Ministry of Energy and Electrification came to an end with his membership of the Government. Communist collaboration with the other parties in the Coalition had long been formal rather than real, so his resignation had little effect on Government policy.

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Probably the most important result was to make possible greater freedom of expression during Cabinet meetings.

The life of an Austrian Parliament is limited by the constitution to four years. Elections were therefore due to be held not later than November 1949 and actually took place on October the 9th 1949. There were two main differences between the political situation then and in 1945. First, the number of electors had increased by over 940,000. Of these more than 400,000 were 'less implicated' Nazis, to whom the franchise had been restored the previous summer, and the remainder were either returned soldiers or persons who had acquired Austrian citizenship since 1945. Secondly, a number of new parties had entered the scene. Of these only two, the Union of Independents and the Democratic Union, succeeded in polling more than 10,000 votes, but a new fluidity and vitality in political life were indicated by the fact that at one stage during the year over forty new parties had announced their existence.

In the elections 97 per cent of the qualified voters went to the polls, compared with 94 per cent in 1945. The People's Party increased its votes by 244,354, the Socialists by 188,626, and the Communists, reinforced with some extreme Left-Wing Socialists, by 35,809. The Union of Independents obtained 489,273 votes and the Democratic Union 12,059. As regards seats, the People's Party got 77, the Socialists 67, the Union of Independents 16, and the so-called Left Block 5.

The election was significant for two reasons. It justified the Coalition Government by showing that it substantially represented the people's view. At the same time it made clear that there were about half a million people who were dissatisfied with the programme of the two main parties and the Communists. They were likely to prove an important political force in the future.

On the 31st of December 1950, Dr. Renner died, only a few days after the celebration of his eightieth birthday. His greatest achievement for post-War Austria had been as Chancellor in the Provisional Government. But while Federal President during the next five years he had been a wise and stabilizing

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643 influence in Austrian political life and had won general respect as a dignified, impartial, and yet forceful head of the State. The tribute paid to him by the Chancellor the day after his death was of special value, coming from one whose political views differed widely from his own. During the five years of his presidency, said Figl, he was 'a teacher and friend, who stood above political parties, a man to whom one never went in vain for advice'.

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666 In January 1951 Parliament decided unanimously that the new Federal President should be elected by the people of Austria, as laid down in the constitution of 1929, and not in accordance with the special procedure adopted in 1931 and 1945, when the election was carried out in a joint session of the two legislative chambers. The two main parties chose their candidates well. The People's Party's choice was Dr. Heinrich Gleissner, the much-respected Governor of Upper Austria, and the Socialists', General Körner, the popular and venerable mayor of Vienna. The worst criticism that could be made against each candidate was of comparatively minor importance. Gleissner had been a junior member of Dollfuss's Government. Körner was seventy-eight years old and had only accepted candidature reluctantly out of a sense of duty.

A presidential candidate requires a clear majority of votes to be elected. If in an election no candidate has the required majority, a further contest is held between the two candidates with the most votes.

For the first election, which was held on the 6th of May, the Communists put forward Gottlieb Fiala as a candidate, and Dr. Burkhard Breitner stood as a non-party independent. Breitner was a popular, somewhat eccentric Innsbruck surgeon with no real political experience and no serious claims to potential statesmanship. Gleissner obtained 1,725,695 votes, Körner 1,682,768, Breitner 662,559, and Fiala 220,012.

In the second election, on the 27th of May, Körner was elected President with 2,172,106 votes against Gleissner's 2,004,290, having evidently secured the Communist votes

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and a greater measure of independent support than was generally expected. 643

During the first campaign efforts were made with some success to keep the party aspect of the contest under control. But the second, through no fault of the two candidates, involved a good deal of party bitterness and personal animosity. Fortunately this lapse from the best post-War political standards was made good by the example of the new President and his chivalrous defeated rival. When the election result was announced, Gleissner at once telegraphed his congratulations and good wishes to Körner. President Körner himself responded soon after his election by visiting Linz, the capital of Upper Austria. At the official ceremony of welcome he announced that he had shown his personal esteem for Dr. Gleissner by addressing him with the familiar 'du' as they drove together from the station. 666

After its success in the two general elections, the People's Party received a severe shock from its defeat in the presidential election, all the more so because its candidate was a strong one. As a result, a thorough re-organization of the party was carried out. Changes were made in the main party officials and in the party's representatives in the Government. 665

More significant for Austria as a whole was the increase in the independent vote. Without doubt many of those who had voted for the Union of Independents in 1949 and Dr. Breitner in 1950 were disgruntled ex-Nazis, whose opposition was mainly negative. The attitude to the Nazi problem of the Austrian Government and people in general was sensible, broad-minded, and Christian. Except in the worst cases they wanted as soon as possible to let bygones be bygones. They were unwilling to drive into implacable discontent the disillusioned and repentant party members who were ready to be converted in 1945 and had only become Nazis originally through a mixture of fear and economic necessity. Dr. Koref, Burgomaster of Linz, spoke for the great majority of Austrians in July 1946 when he said: 'We are all agreed that we should not use Nazi methods to bring about the last liquidation of

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National Socialism. . . . No one of good will should find his way back to the democratic community barricaded.' But under the vigilant eyes of the Allied Control Commission the Austrian Government was not able to carry out its denazification in its own way. The penalties of fine, disappropriation, and exclusion from office that were imposed were not always unduly severe, but they were applied in a mechanical, inflexible way that was perhaps inevitable, but caused hardship in individual cases, both to Nazis and to some of their original victims. This produced a hardened and embittered element in Austrian society. Reinforced by German-speaking refugees from Czechoslovakia and Eastern Europe, some of whom acquired Austrian citizenship, it provided the hard core of the new opposition to Government policy.

On the other hand, it would be misleading to suggest that the opposition was mainly negative in its attitude or Nazi and refugee in its origin. The new parties contained men of patriotism, originality, sincerity, and courage. Their programmes were a stimulating influence. Even the numerically insignificant Democratic Union, with its forlorn belief in diplomatic neutrality, was directed by the fertile intellect of Professor Dobretsberger, an ex-Minister and distinguished economist. The Union of Independents included able and constructive thinkers as well as the negative and less desirable elements.

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The most significant of the new political movements was the Youth Front, which was started by a group of young politicians sympathetic to the People's Party. It was impatient of the leadership and critical of the organization of the party, although affiliated to it. The result of the presidential election seemed to justify the Youth Front's criticisms, and its members became more outspoken. In the summer of 1951 it was repudiated by the party, and shortly afterwards came to an end.

Though the Youth Front's existence was brief it showed a phoenix-like persistence. In November 1951 its leaders joined with some of Dr. Breitner's supporters and other kindred spirits to form the 'Action for Political Renewal'. The following spring discussions started between the 'Action' and the

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more moderate and positive elements in the Union of Independents, which led to the formation of a common Working Committee and the decision to fight the next election with a joint programme. 668

This new opposition was impatient of the leadership of the two main parties. It was determined to provide an alternative programme that would rival Communism in the effectiveness of its appeal and at the same time reflect the Austrian dislike of a totalitarian society. It accused the older parties of living in the past and failing completely to win the devotion of youth. It attacked corruption, bureaucracy, political indifference, and the place-seeking of the *Proporz* régime. It favoured free enterprise, a more personal system of political representation, and a dynamic society free from privilege of birth and property. Whether its claims to provide something better than existing creeds are justified, time and its own political record will show. It was, at any rate, a healthy sign that the different groups should come together in a common constructive effort and that the purely negative elements should lose weight.

In the autumn of 1952 a serious difference of opinion arose on economic policy between the People's Party and the Socialists, and on the 23rd of October the Government resigned. At President Körner's request it consented to remain in office until the following February, when it was agreed elections should be held. 665

In these elections the Socialists gained 6 seats, 3 from the People's Party, 2 from the Right-Wing independents, and 1 from the Communists. Though they had 73 seats to the People's Party's 74, they actually obtained 36,842 more votes. 665 666
The serious increase in unemployment during the winter contributed to this result, as one of the main points in the Socialist programme was the maintenance of employment. The elections were a setback for the opposition. The Union of Independents, who had fought the campaign with the Action for Political Renewal, polled some 16,000 less votes than in 1949. The Democratic Union lost its identity and many of its

665 more moderate adherents by merging with the Communists
666 to form the 'People's Opposition'.

It was rightly held in Austria and abroad that the elections were a triumph for the forces making for stability and moderation and that the Austrian people had again expressed their confidence in the Coalition. The Federal President called on the People's Party to nominate their candidate for the Chancellorship, and Dr. Figl was asked to form another coalition government.

665 So far from solving the crisis, however, the result at first intensified the deadlock. The Socialists claimed that the electorate had pronounced in favour of their policy and demanded increased representation in the Government. The People's Party maintained that it had yielded too much influence to the Socialists in the past and that, as the parties of the Right had obtained 200,000 more votes than those of the Left, the Socialist claim was unreasonable. The party declared itself in favour of a three-party coalition, including the Union of Independents. To emphasize the parliamentary strength of its position it published a working programme that it had agreed to jointly with the Union of Independents.

642 Following weeks of hard bargaining Dr. Figl gave up his attempt to form a government just one month after the elections. The People's Party Executive unanimously chose their chairman, Julius Raab, as his successor. On the 1st of April, Raab succeeded in forming a coalition government consisting of the Socialists and People's Party only. In it the Socialists obtained two junior Ministries in addition to their previous representation. The new Coalition was based on a two-party understanding less comprehensive than in the previous post-War Governments. For example, the party truce did not extend to the provinces and the municipalities. It was significant that a provisional compromise budget that had been agreed on in the autumn of 1952 was extended to the end of the year.

During the course of the negotiations President Körner in a public speech made a surprising statement in which he implied

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that the Union of Independents was not a 'staatsbejahende' party—that is to say, a party taking up a positive attitude towards the State. Out of deference no doubt to the President's age and past record, the two main political parties made little of this constitutional lapse. But the Union of Independents, with good reason, repudiated the statement emphatically. 642

Outside the People's Party Executive the full circumstances in which Figl gave way to Raab can at present only be a matter of conjecture.¹ But the nomination of Raab indicated the direction in which events were moving. The new Chancellor is a leading industrialist who was a member of Schuschnigg's Cabinet just before the *Anschluss* and has been President of the Austrian Business-men's Association and of the Chamber of Commerce and Trade since the War. He became Chairman of the People's Party during its reorganization after the presidential election. While the occupation lasts Austria still needs a coalition, especially since Stalin's death has renewed hopes that a treaty will be signed. But Raab is a typical Right-Wing leader and temperamentally less fitted for compromise than his conciliatory predecessor. His appointment marks a stage in the return to normal party politics. 643

From the point of view of Austrian democracy the political truce has already lasted too long. The discipline and restraint a coalition imposes are a good influence from time to time, but over a period of years they tend to be transformed into less desirable qualities. Compromise, when it becomes a habit, means loss of vitality, and in the long run no political party can survive without the stimulus of competition. 642

Yet the Coalition has served Austria well, and in a complex and critical situation the country has been fortunate to have it. It has given stability and continuity to Austrian policy at a time when weakness or vacillation might have been fatal. Much credit is therefore due to those chiefly responsible for its survival; to President Renner, President Körner, and Dr. Figl himself.

Since Austria became a republic no statesman has approached 643

¹ The above was written on the 7th of April 1953.

643 Figl's record of remaining Chancellor for over seven years, and no Chancellor has gained so much respect and support both from the Right Wing and from the Left. There was a large element of accident in the events which caused a young and inexperienced politician to become head of the Austrian Government in 1945. But the choice of Figl was justified by his record in office. He provided the qualities of character and statesmanship that an unusual situation demanded, and his name will always be associated with a critical period in Austrian history in which he guided his country well.

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*The Economic Legacy of the Anschluss
and the War*

AUSTRIA lost its economic identity as well as its political independence at the time of the *Anschluss*. As the Austrian provinces and Vienna itself were subordinated to the German Government in Berlin, so Austrian industry, agriculture, and forestry were absorbed into the German economy. 433 727

In war and defeat, therefore, Austrian economic life suffered with the rest of the Nazi Empire. The damage caused by actual hostilities was relatively less in Austria than in Germany. The campaigns on her actual territory were brief, and serious air attacks were limited to the main centres of industry and communications. On the other hand, Austria was a more sensitive and vulnerable economic unit. In 1938 she had only just begun to pay her way after twenty years of effort, while Germany was one of the most powerful industrial countries. The injury inflicted on the Austrian economy by the War in all its aspects was crippling and came near to being fatal.

In spite of Austria's relative freedom from air-raids, the destruction in the target areas was severe. The loss in buildings was estimated after the War at about four billion¹ schillings with the schilling at forty to the pound. The industrial city of Linz lost nearly a third of its 44,000 dwellings. Wiener Neustadt, home of an important Messerschmidt aircraft factory and other war industries, was the worst damaged of Austrian cities. It was hit by more than 50,000 bombs. Only eighteen of its houses were left intact, and its population was reduced from 45,000 in 1944 to 860 in April 1945. 727

¹ The term 'billion' is used throughout in the American sense of a thousand million.

727 About 400,000 Austrians were killed or missing as a result of the War, and more than 300,000 were wounded. At the end of 1945 several hundred thousand men, who were badly needed in industry and agriculture, were still prisoners of war.

Certain aspects of the Allied occupation imposed a heavy strain on the Austrian economy. The wave of looting that accompanied the fighting was inevitable and temporary in its effects. But the widespread confiscations that followed were more serious. The heavy burden of occupation costs used up limited resources that were urgently required for the work of reconstruction. The division of the country into zones was a formidable obstacle to trade revival, and the splitting up of Vienna into districts resulted in inconvenience and absurdities. No actual barriers were maintained within the capital, as there were between the zones, but the system by which the city districts were allotted to the different occupying Powers stood in the way of a return to normal economic life. Two sides of the same thoroughfare might be under the control of two different countries, and at the end of 1945 the French Military Government insisted that a permit was required for sending goods from its own district on one side of the Mariahilfer Strasse to the American district on the other.

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167 A further burden on the country was the vast number of displaced persons and refugees that flooded into it, mainly from Czechoslovakia, Yugoslavia, and Eastern Europe. Their presence was not an unmixed disaster. The great majority of them were responsible and law-abiding, and many were skilled and able-bodied workers, who were to make a valuable contribution to agriculture and industry. But during the early post-War months there was also a reckless and disorderly element amongst them, which complicated the task of the police and sent the murder rate up to an alarming level. In spite of organized efforts to deal with the question, there were 550,000 registered displaced persons at the end of 1946, and there may well have been another 100,000 who had escaped registration. Two years later there were still over 400,000 of them left, the majority in the stateless category, and the government was obliged to spend approximately 150 million schillings a year on maintaining them.

THE ECONOMIC LEGACY OF THE ANSCHLUSS 71

Government was obliged to spend approximately 150 million schillings a year on maintaining them. 000

The Austrian economy under the Nazis had been geared to make a maximum contribution to the war effort. When the War ended, the whole structure collapsed. Factories that had been converted to war production at great expense needed even more spent on them in many cases to fit them for peacetime production. As this situation was common throughout the world and industrial equipment and machine-tools were in very short supply, the process of reconversion could only be carried out slowly and at a high cost. Those industries that served a purely peaceful purpose had been very largely neglected during the War. Much of their equipment and machinery was worn-out and old-fashioned, and the process of replacement involved the same difficulties as the reconversion of war industries. 433
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The railways provide an example of the kind of problem with which Austria was faced. Over a third of the total track mileage was out of action owing to war damage, and nearly 400 bridges had been destroyed. At the same time, the greater part of the locomotives and rolling-stock that were still available were due by pre-War standards for renewal. [496]

A good indication of the War's effect on the Austrian economy is given by the estimated figures for 1946. When the year opened, the country had already had eight months in which to recover from actual hostilities, so the figures represented an injury of more than passing significance that could not be attributed solely to the results of the fighting or to the administrative breakdown that accompanied the German defeat. The total gross national production in 1946 was approximately 45 per cent of the 1937 figure. Agriculture reached only about 50 per cent and industry only 43 per cent of the amounts produced in 1937, while foreign trade was only about 8 per cent of the 1937 total. Of this modest aggregate production it has been conservatively estimated that some 30 per cent was required to meet the needs of the occupying Powers.

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433 Most of the economic difficulties that have so far been mentioned were shared in the main by Austria and Germany. They were the common results of a common struggle, in which Austria as a whole was an unwilling participant. Yet there were other ways in which Austria suffered more severely than her culpable oppressor. Some were primarily the responsibility of the Russians; others, of the Germans themselves.

Germany has lost territory in the east to Russia and Poland, and the area that remains to her has been divided politically into the Eastern and Western Zones. But the economic, as opposed to the political, effects of the post-War Russian occupation have been less serious in Germany than in Austria. The Russian zone of Austria is of more importance to the country as a whole than is the Russian zone of Germany to the whole German economy. Thanks to the great industrial resources of the Ruhr Valley, Western Germany is again a powerful economic force, while Austria, owing to Russian exploitation, is still dependent on American aid. Without the industry and mineral wealth of the Russian zone Austria cannot be a viable State.

Russia's control of Lower Austria, Burgenland, and a substantial part of Vienna gives her a dominant influence on the Austrian economy. The area includes the best grain-lands and vineyards in the country, the great oil-fields of the Zistersdorf region, and a high proportion of Austria's industry. In 1934, 65 per cent of those employed in industry and trade were to be found in the three provinces of Lower Austria, Burgenland, and Vienna. Even in 1948, when many industrial concerns had been transferred to the West, the figure was still about 50 per cent.

It is not suggested that the Russians have exploited the whole industry and agriculture of the area for their own ends. As an occupying Power, however, Russia has been able to take advantage in various ways of the economic resources available. In the early days a great deal was removed in the form of loot and war booty, and since then systematic confiscation on a vast scale has been carried out on the pretext that whatever was

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taken was a 'German asset', and therefore a legitimate form of reparation. The damage inflicted on the Austrian economy has been decisive in preventing its full recovery. 727 433

Russia's subjugation of East and South-east Europe has also been a severe blow to Austrian commerce. Not only has Austrian capital behind the Iron Curtain been confiscated; Austria also has very largely been cut off from her main market area. The Habsburg Empire in its economic aspect represented the material interdependence of the peoples of the Danubian basin. It was natural, therefore, that after the Empire had collapsed Austria should maintain her economic ties with the Succession States. In 1937, 27 per cent of Austria's exports went to the five eastern countries behind the Iron Curtain that are now known as the 'People's Democracies', and 31.5 per cent of her imports came from them. The corresponding figures in the summer of 1952 were 12.3 and 9.9 per cent. The decline is not due to any disinclination on Austria's part to maintain normal trading relations: in that year she signed trade treaties with both Poland and Hungary. Apart from foreign aid, Austria is dependent on her exports for the purchasing power with which to buy food and the equipment necessary for her recovery. Any serious contraction of her foreign markets involves a corresponding setback in her economic revival. 727 439

Austria's problems were further increased by her geographical position. After the War, Russia controlled the Danube and seized the steamers and barges belonging to the Danube Shipping Company. With no immediate access to the sea, therefore, Austria was entirely dependent on land communications and the availability of transport for her vital coal supplies and a large proportion of her food. She had less flexibility than better-placed countries like Germany in her search for new trading partners, when her industries gradually revived and she found her old markets closed to her. These difficulties were increased by the acute transportation crisis in Europe after the War, due to the shortage of locomotives, railway trucks, and road vehicles. [489]

727 Other injuries from which Austria suffered were the result
433 of deliberate German policy. So long as the Nazi occupation lasted, Austria was treated as an appendage to the German economy, and her interests were subordinated to those of the Reich. She was no longer considered as an economic entity, and no attempt was made to maintain the balance of her economic life.

[133] About 57 per cent of Austria's total area is over 1,000 metres
(3,281 feet) high, and 37 per cent is woodland. It is therefore
[311] hardly surprising that only 21 per cent is cultivated and that before the War, in spite of strenuous efforts, the country could produce only three-quarters of its total food requirements. At the same time it was essential that it should be as self-supporting as possible. To import even a quarter of its provisions imposed a severe strain on the balance of trade. Yet during the Nazi period efforts to increase Austrian agricultural production were relaxed. The self-sufficiency of a mere group of provinces was a matter of no significance to Hitler, and he preferred to depend for his food supplies on the conquered and dependent lands of Central and Eastern Europe. The *Ostmark* could be better used for other purposes.

Austrian farms therefore lost man-power to the army. Their livestock was reduced. Equipment grew old and could not be replaced. Owing to lack of fertilizer the quality of the soil deteriorated. In 1945 domestic food production reached less than half, and in 1946, when conditions were much less disturbed, only about two-thirds of the pre-War level.

[313] Austria's forests are one of her most valuable natural resources. Her timber industry, together with the paper and cellulose industries dependent on it, accounts for about 9 per cent of her national income and for a substantial proportion of her exports. During the War the forests were ruthlessly exploited, and it has been estimated that at least 10 million cubic metres of timber were felled in excess of the economic figure, the fellings mainly taking place in the most accessible areas. This meant that years of strict control would be necessary to restore the timber industry to a healthy condition. At a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of anarchy.

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a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence. 600

Highly skilled workers are one of Austria's chief economic assets, and between the Wars consumer-goods and luxury industries played an important part in her economic life. This side of her economy declined seriously during the German occupation. As part of the deliberate plan to turn the country into an arsenal, workers were diverted from secondary industries and agriculture to the large new war-production centres that were established. 727 433 [464]

The great Hermann Goering Iron and Steel Works were set up at Linz, with their own coking plant. Sixty miles away at Ranshofen near the River Inn a big aluminium plant was built. There were several reasons for these developments. The fundamental idea was to provide a reserve of vital war industries in a district less vulnerable to enemy attack. Just as the Russians transferred some of their main war industries to Central Asia, so Hitler wanted to have some of his production centres farther away from Allied bomber bases. Secondly, there were certain economic considerations in favour of the two sites. Both were on important waterways. Linz was some sixty miles from the iron ore of the Erzberg, or Iron Mountain, in Styria and not far away from the low-grade ore of Bavaria. Ranshofen was reasonably close to the Hungarian bauxite deposits and conveniently situated in relation to the Third Reich's electricity network, cheap current being the main consideration in the siting of an aluminium works. Further, there were reasons of sentiment and prestige for the choice of location. Hitler was born in Braunau, a few miles from Ranshofen, and went to school in Linz. It seemed fitting that the scenes of the Führer's youth should become centres of war production. 727 327 328 438

From the purely Austrian point of view, however, such developments were not so satisfactory. Hardly one of the considerations that influenced German leaders would have carried weight with an independent Austria. The strategic and sentimental arguments were both irrelevant. Neither Bavaria nor

727 Hungary could be relied on to supply iron ore or bauxite, and
 327 the existing iron and steel works at Donawitz in Styria were
 328 better situated than Linz to handle ore from the Iron Mountain.
 438 Ranshofen was not well placed in relation to Austrian supplies
 of electric power. Above all, the Hermann Goering Works
 were entirely dependent on the supply of hard coal for their
 coking furnaces, and Austria was already seriously short of
 this essential commodity. Whereas Hitler had the coal-fields of
 Poland and Czechoslovakia at his disposal, Austria in pre-War
 years had already been dependent on imports for two-thirds to
 three-quarters of her coal supply. The requirements of the
 Linz works made the position much worse.

727 The new developments implied a fundamental change of
 438 emphasis in the whole national economy, and it was by no
 means certain, or even likely, that the change would be for the
 better. It would probably have been sounder for Austria to
 rely on the traditional skill of her workers in the consumer-
 goods industries than to attempt to compete with the most
 powerful industrial countries in basic production. The dangers
 might not be apparent in the immediate post-War years,
 owing to the inflated demand for iron and steel products, but
 they were likely to reveal themselves in the course of time. A
 serious depression in the world's basic industries or a failure to
 obtain the coal and raw materials on which Austria's basic
 industries depend might have very serious consequences on the
 country as a whole. The choice, however, was not Austria's
 own. The change that occurred was the main positive legacy
 of the period of Nazi occupation.

727 Two of Austria's chief natural resources are her mineral
 315 oil and her hydro-electric power. These were developed by
 the Germans rapidly during the War, but in each case with
 little regard to Austrian interests.

Under happier conditions Austria's oil-fields would have
 raised her from a struggling country to a prosperous one. It is
 one of the hardest blows that have fallen on the Austrian people
 that such a gift of Providence should have been exploited
 successively by two unscrupulous foreign Powers and should

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never yet have been used for the benefit of the people themselves. Between 1937 and 1944 the annual production was raised from 33,000 tons to 1,200,000, but this result was only achieved by uneconomic and wasteful methods that were damaging to the oil-fields and would not normally have been employed.

Under German occupation hydro-electric power production was also developed considerably. Between 1937 and 1945 the potential output of current was raised by about 61 per cent. But the extra power made available was not intended primarily for Austria's benefit. The country was split up and incorporated in separate 'power regions' of the Reich, the Vorarlberg being allotted to Baden, the Tyrol to Bavaria, and the eastern provinces joined up with Bohemia and Silesia. There was no direct transmission line between the eastern and western provinces. This arrangement made it impossible for Austria to utilize to the full her hydro-electric current when the War came to an end.

In spite of the numerous disadvantages, however, the economic effects on Austria of the *Anschluss* and the War were not entirely bad. German energy and efficiency brought direct results that otherwise were unlikely to have been achieved so quickly. Austrian interests were not consciously regarded during the process, but when Austria was restored to life some of the results turned out to be good and some were of potential value.

Although hydro-electric developments in Austria had been considered by the Germans as part of a greater whole, the new plants available on Austrian territory after the War were a valuable national asset. In course of time the grid could be adapted to suit Austrian needs. Furthermore, the fact that the Germans attached so much importance to Austrian current underlined its significance in Austrian eyes as a potential major export. During the post-War years Austrian statesmen and economists have been more conscious than ever before of the value of Austria's vast hydro-electric resources to the country's economy as a whole.

727 In the same way, against the ruthless and damaging methods
 315 by which Austrian oil-fields were developed can be set the
 amount of capital expended and the value of the results
 achieved. A great new source of national wealth was opened
 up with exceptional speed. The exploitation of this wealth by
 the Russians is the largest debit item in the Austrian-Soviet
 account. But it was only an indirect, and by no means in-
 evitable result of German action and the War.

727 In the basic industries also there were certain considerations
 433 that offset the disadvantages and dangers of the change of
 emphasis in Austrian industry that the new developments in-
 volved. Had the Linz and Ranshofen works been liabilities
 alone, they could have been dismantled and abandoned after
 the War. But large sums of money had been invested in
 them, which Austria on its own would have had the greatest
 difficulty in raising. The decision to keep them both going,
 so far as the supplies of raw materials, coal, and electric current
 allowed, reflected Austrian realization of their value.

[387] One major item in the economic legacy of the *Anschluss*
 period was an unqualified asset of great worth. A large nitro-
 gen works suitable for the manufacture of artificial fertilizer
 was erected during the War at Linz. The site was chosen
 because the main substance required in the manufacturing
 process was coal-gas, and surplus gas was available in sufficient
 quantity from the Hermann Goering coking-plant. By
 November 1950 the works had produced a million tons of
 ammonium nitrate since the end of the War. Austrian agri-
 culture had benefited considerably, and during the four years
 from 1947 to 1950 the export of artificial fertilizer had earned
 more than \$25 million worth of foreign exchange. If foreign
 markets contract, experts consider that the whole production
 can be used with advantage in Austria. Food production
 would increase substantially as a result, and the scale of essential
 imports would be reduced.

433 Three times in a generation Austria has had to adapt her
 economy to radical territorial and political change. In 1918,
 7 [cf. category 116, pp. 75-76 — *Analyst*]

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as a political and economic fragment, industrially top-heavy, 433
and cut off from essential supplies, she was condemned to an
uphill struggle for self-sufficiency. In 1938, just when she had
achieved a measure of success, she had to submit to incorpora-
tion in an empire, the whole economy of which was moulded
ruthlessly to the needs of war, without regard for the traditions
or individual claims of its component parts. In 1945, as a small 185
unit, now conscious and even proud of her identity, she was
set the task of rebuilding her independent existence and freeing
herself from the traces of economic subservience.

To accomplish this third task Austria needed an economic
plan that was based on the requirements of the future and the
existing facts. Clearly the Nazi neglect of agriculture and the
damage done to forests must be put right. A hydro-electric
power scheme based on the country's own long-term needs
was required. And a programme for industry had to be
formulated which took account of Austrian tradition and
craftsmanship and any features of the Nazi legacy that were of
permanent value. The decision must be made as to what
modifications were required in the heavy installations of the
war economy in order that they might occupy a permanently
valuable place in an economic structure adapted to the needs of
peace.

It was difficult to form a correct judgement on this last point 000
in the exceptional circumstances of the post-War years. Not
only were world markets strongly influenced by demands for
reconstruction programmes. On the one hand, American
generosity made available in Austria much more investment
capital than would normally have been the case. On the other
hand, Russian confiscation deprived the country of many
industrial products and one of its main natural resources. It
was obviously wise for the Austrian Government to aim at
independence of American support. Yet such an objective was
very difficult to attain, so long as the oil-fields and many
industrial installations remained under Russian control, and
no one knew how long the control was to continue. This
unknown factor was a serious obstacle to the formation of any

000 long-term economic plan. A second unknown element was the kind of Europe in which Austria would find herself after she had regained her independence. If it was to be a continent divided up on the principle of economic nationalism, Austria must aim at making herself as far as possible self-sufficient. If it was to be a continent moving towards economic integration through a progressive extension and development of the Schumann Plan, quite different considerations ought to prevail.

Hitler has no claim to inclusion in the category of Hegel's World-Historical Persons, whose own particular aims and achievements expressed the tendencies of their age. He was blind to the significance of twentieth-century internationalism, and his brief but catastrophic impact on the world represented a reversion to past phases of history. Yet his attempt to emulate Hegel's heroes led him to think and plan on a scale transcending Germany's national boundaries. Examples of such planning in Austria are the unfinished *autobahn* between Munich and Vienna and the heavy industries that were dependent on coal and raw materials from Poland, Czechoslovakia, and Hungary. There is a happy incongruity in the fact that the legacy of Hitler, the arch-nationalist, will fit less readily into a continent of self-sufficient States than into a Europe that has achieved some degree of economic co-operation.

[R81]

VI

UNRRA and Foreign Relief

THE most urgent economic problem in Austria after the War was the lack of food. It was a problem that could not be dealt with adequately by the first-aid measures that have been described. The assistance given by the occupying Powers in the summer and autumn of 1945 led to a temporary rise in the ration scale, but in the spring of the following year the situation deteriorated. The normal consumer's ration was reduced during March to a theoretical level of 1,200 calories a day. In Vienna during May it amounted in practice to only 950 calories; 'too many to cause death and too few to sustain life', as one member of Parliament put it. 146
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In October 1946 the Federal Chancellor stated in Parliament that Austria had the lowest rations of any country in Europe. According to the official history of UNRRA, Austria had a lower calorie level than any other country in receipt of UNRRA aid. What strained the patience of the Austrian people most severely was an announcement by the occupying Powers in Germany of a higher ration for the ex-enemy country. When this news was made known, food riots broke out in Vienna, and popular indignation was so strong that in November the Austrian Government announced a similar ration of 1,550 calories for Austria. It did so without the approval of the Allied Council and without consultation with UNRRA. There was therefore no guarantee that the necessary supplies would be forthcoming. But the combined efforts of UNRRA and the Governments of the United States and the United Kingdom were equal to the challenge.

The effects of the low calories scale were made worse by the nature of the rations available. They were particularly deficient in fat, animal protein, calcium, and certain vitamins. For two
[Cf. category 116, p.20 — Analyst]

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511 to three months during 1945 in Vienna milk could only be provided for infants in arms and the seriously ill. It was only by gradual and progressive stages that the supply could be organized for children between one and twelve years of age. At the worst period only about 5,000 litres a day were being distributed in the capital, whereas the normal daily consumption in 1952 was approximately 700,000 litres.

[165] The infant mortality and tuberculosis rates in Vienna show the results of under-nourishment. For every thousand live births the mortality rate amongst infants was 191 in 1945, as opposed to 53 in 1938. New cases of tuberculosis numbered 2.87 a thousand in 1946 compared with 1.11 in 1940. The tuberculosis death-rate for the first half of 1946 was nearly double the pre-War figures and about three times as high as in Britain.

The food situation naturally varied a great deal between the country and the towns. In most parts of Austria there was little real shortage on the land, and the consumption of those engaged in food production probably averaged about 3,000 calories a day. In the small country towns, from which access to the farms was easy, official rations could usually be supplemented. It was in the large towns, above all in Vienna, that the position was very serious.

The emergency was aggravated and prolonged by the requirements of the refugees and displaced persons. The return of hundreds of thousands of Austrian prisoners of war during 1945 and 1946 also increased the scale of the problem.

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511 One of the worst features of the whole situation in Vienna was the acute shortage of fuel that accompanied the meagre rations. Gas and electricity were severely rationed, and the supply of both was unreliable and limited to a few hours a day. Fuel of all kinds, whether coal, coke, wood, or oil, for the average person was almost unobtainable. The official ration of coal per household during the winter of 1947-8 was 300 kilograms, and even this quite inadequate amount could not be delivered in full. Yet a great many rooms in the city had broken windows, and glass was in very short supply and

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prohibitively expensive. The pathetic sight was common at the time of an old woman trudging back from a long tramp into the Vienna woods with sticks under her arm and a rucksack full of twigs on her back. The load would at most provide a little heat for a few hours, and the extremity of the need was proved by the lengths to which people would go to produce such small results. 511

Vienna is a cold city in winter. There is no doubt that the combined effect of unheated houses and inadequate food was responsible for the death of many old and ailing people. It was also partly responsible for the very high suicide rate. In 1946 there were 933 suicides or attempted suicides in Vienna alone. [65]

The figures given regarding the food supply have referred to food coming from official sources. In Austria after the War there was an extensive black market in food, fuel, and a large number of luxuries. It was the time now often described by Austrians as the period of 'The Third Man', after the well-known film with its unflattering portrayal of Viennese conditions. The rationing system was unreliable as well as inadequate. People were justifiably sceptical as to whether they would actually receive the quotas that had been officially announced. In these circumstances it was understandable that they should turn to the black market as an alternative source. 437 433

In August 1945, when the shortage was at its worst, black-market food prices in Vienna were about 264 times as high as the official rates. The exorbitant prices reflect the intensity of the need. And there is no doubt that there were many who paid them. Otherwise the health of the people would have suffered much more than it did. There were very few rich. But the majority of the working population had been able to save during the War, when most articles were scarce. Many members of the impoverished aristocracy and middle class parted with their valuables to avoid starvation.

There was a considerable difference between the black market in Austria and that in England. In England rations were

437 sufficient, the black market was in luxuries, and the people, on the whole, were law-abiding. The problem therefore was
433 primarily one for the police. In Austria rations were insufficient, the black market was in necessities as well as luxuries, and the consciences of the people were attuned to God and reason rather than to the law. The problem was thus rather a matter of economics, and in any case the Austrian police force was inexperienced and under strength.

437 The existence of the black market and the widespread use
435 that was made of it were obstacles to the improvement of the food situation as a whole. The fact that foodstuffs were being sold at such extravagantly different prices made the farmers reluctant to increase their official deliveries. The black-market rates were excessive, but the official rates were beneath world levels and unfairly low for the producer. In spite of the efforts of the authorities, which included the threat of imprisonment, the farmers did little to help. Some of them dealt on the black market, and others found it more profitable to feed grain to their animals than sell it at the official price. During the difficult spring of 1946, the meat deliveries from the provinces to Vienna fell 90 to 100 per cent short of the allocations.

If the attitude of the farmers was neither helpful nor patriotic, it was the ineffectiveness of the whole system that was chiefly to blame. In these circumstances the Austrian Government's own measures to deal with the food problem were slow to show results.

433 There were two further reasons why the shortage persisted.
439 Additional food supplies were required from abroad. But Austria's traditional sources of supply had been Hungary, Poland, and Yugoslavia, and immediately after the War these countries were not in a position to export foodstuffs. Hungary and Poland later fell increasingly under Russian economic influence. Secondly, Austria had not the resources with which to pay for imports. In terms of exports grain now cost nearly twice as much as before the War, and such foreign exchange as was earned was required to buy raw materials and equipment for industry. A vicious circle was in operation: exports

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were a pre-condition for the purchase of food from abroad, and undernourishment stood in the way of industrial recovery.

The food problem remained serious for at least three years. In 1947 it was often found impossible to honour the inadequate basic ration scales of 1,500 to 1,600 calories, and medical inspections established that nearly 50 per cent of Viennese school children were under-nourished. Until 1948, when Austria had its first good post-War harvest, the population as a whole remained noticeably under-fed. By then most people's savings had already been spent and their mental and physical powers of resistance had been seriously weakened.

In spite of this melancholy story, great efforts were made to deal with the situation. Had this not been the case, the prolonged deprivation and distress of the Austrian people would have ended inevitably in political disaster.

In the autumn of 1945 it was decided to invite the United Nations Relief and Rehabilitation Administration to organize a supply programme for Austria. The way had been prepared in August, when the UNRRA Council had decided that as Austria was a liberated country there was nothing to prevent relief and rehabilitation operations being undertaken there, provided the occupying Powers approved. At the time, however, the necessary funds were not available. In November the immediate initiation of an UNRRA programme was urged, particularly by the United Kingdom, and before the end of the month an UNRRA Working Party had arrived in Vienna to obtain preliminary information regarding requirements. In December UNRRA headquarters, following a request from the Allied Council, authorized negotiations for an agreement with the Austrian Government, subject to the Council's approval. Brigadier R. H. R. Parminster, who had been serving since September as chief of the UNRRA Displaced Persons Operations in Austria, took over the duties of Chief of Mission on the 1st of January 1946 and conducted the negotiations. An UNRRA Bureau was set up in the Austrian Federal Chancellery early in the New Year to co-ordinate the transport, administration, and distribution of UNRRA supplies. On the

THE REBIRTH OF AUSTRIA

648 5th of April a formal agreement covering the relief programme
657 was signed by Brigadier Parminster and the Austrian Minister
for Foreign Affairs.

Although it had originally been hoped that UNRRA would be in a position to start operations on the 1st of March, this estimate proved too optimistic. It was finally decided that the organization should assume its responsibilities by three stages in April, May, and June, the beginning of June being the date on which ~~it should be responsible~~ for the actual delivery of supplies. To make this programme possible the Chief of Mission obtained the promise of each of the four occupying Powers to do its best to make available one month's food supply for its own zone from stocks already in the country. Even in June UNRRA had to borrow supplies from the American and Soviet Elements.

Allied help, which had first been given in the summer of 1945, was thus continued in order to tide Austria over the transition period. Throughout the whole winter and spring the country was dependent on the Allies for food and other essential supplies. At the end of 1945 the Russians agreed to the export of food from their zone into Western Austria. Coal was brought in from Germany. Raw materials, vehicles, clothes, and medical equipment were provided. Military stores belonging to the German army were handed over to the Austrian Government.

The UNRRA administration in Austria lasted from the spring of 1946 until the end of June 1947. Its main work was the supply and distribution of food. From June 1946 until October, when the Austrian harvest became available, 80 per cent of the rations of the non-agricultural population were provided or paid for by UNRRA, and UNRRA supplies formed a substantial part of the rations so long as the administration lasted. The total value of the food supplied amounted to \$81,206,600, in addition to \$20 million that were paid to the Allied military authorities for food provided by them.

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433 The second largest item on the UNRRA budget was in
respect of agricultural supplies. After food itself, aid to increase

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food production was Austria's most urgent need. When UNRRA started operations the prospects were not at all good. A large part of the seed reserves had been used up as food. Practically no artificial fertilizers were available. There was a lack of farm implements and tractors, all of which had been worked hard during the War. In the chief grain-growing areas of the Soviet zone there was a serious lack of livestock, most of the horses and cattle having been driven west by the Germans before the advancing Russian army. UNRRA spent \$18,818,600 on agricultural supplies: about \$4.5 million on machinery, \$2 million on fertilizers, and more than \$10 million on seeds. 648
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After these two main items had been covered, comparatively little money remained over for other requirements. \$6,492,400 were spent on industrial rehabilitation, mostly on raw materials, transport, and communications; \$1,789,400 on clothing, and \$1,706,200 on medical supplies. [457]

UNRRA'S main effort in Austria was spent on short-term needs. The emphasis was on relief rather than rehabilitation, when the country's fundamental need was to build up its food production and purchasing power. Yet, given UNRRA's limited resources, the choice made was inevitable. The non-agricultural population was on the verge of starvation, and the health of the people as a whole was the essential condition of further progress towards recovery. The second stage in Austria's economic revival was a matter of long-term planning and was made possible by Marshall Aid. UNRRA laid the necessary foundations. 648

By the autumn of 1946 it became clear that UNRRA aid could not last much beyond the end of the year. In November the Federal Chancellor sent a letter to the Allied Council asking for foreign credits to help meet the deficit for 1947, which the Government estimated at \$178 million. 648
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The first country to respond to this request was Britain. Towards the end of 1946 the British Government agreed to make available £8,500,000 sterling for relief and reconstruction and a further £1,500,000 as a commercial credit for the

648 purchase of raw wool. During the course of 1947 about
457 £4 million worth of surplus British military supplies was also
handed over to Austria.

That Britain set an example at this critical juncture is a fact that has not been forgotten by Austrian statesmen. Yet it was clear that the United States alone had the resources to provide assistance on the scale that was required. Generous American help was soon forthcoming. In the first place, a special War Department grant, intended for the American zone, was made available for the whole of Austria. In February 1947 Herbert Hoover visited Vienna to investigate the food situation as President Truman's Special Representative. In a subsequent report he recommended a post-UNRRA relief programme lasting until July 1948, and Congress voted special funds for the purpose. Over \$15 million worth of surplus American military supplies was also made available to the Austrians. The help received by Austria from the United States under all these headings during the course of 1947 reached a total of over \$100 million, and it was continued during 1948 until the beginning of Marshall Aid.

The Canadian Government provided assistance to the value of \$3,400,000, and valuable consignments of food were also received from the Norwegian and Irish Governments.

Austria was thus dependent on supplies direct from the Allies both before and after the period of UNRRA administration, and the greater part of them were provided by the United States and Great Britain. The importance of this contribution to the Austrian economy can hardly be exaggerated, the amount supplied being considerably more than the total UNRRA deliveries. In 1947 only 1 per cent of the rations of Austria's non-agricultural population was covered by commercial imports, although nearly two-thirds of them were imported. Over 60 per cent therefore came from outside sources, and UNRRA itself had ceased operations in Austria by the middle of the year.

434 During the post-UNRRA period the ration situation considerably improved. In the second half of 1947 the basic ration

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was raised successively to 1,600 and 1,700 calories a day. In June 1948 it went up to 1,800, and the following September to 2,100. Between December 1947 and December 1948 black-market food prices fell from 64 per cent to 15 per cent of the figures for January 1946. This meant that it was at last reasonable to devote a smaller proportion of foreign aid to foodstuffs and a greater amount to economic rehabilitation. Of the £8,500,000 provided by Britain, less than £1,500,000 was spent on food, about the same amount on agriculture, £2 million on coal, and over £3 million on the most urgent industrial needs. Of the American Congress aid allocated for the first half of 1948 just under 60 per cent was devoted to food and just under 40 per cent to agriculture and coal, which was of such vital importance to industry.

The administrative responsibilities of the British and Americans in Austria made them highly sensitive to the country's needs. In spite of the obvious drawbacks of the occupation, there were certain advantages for Austria during the first precarious post-War years in the presence of the Western Allies on her territory. Without them the process of rebuilding the administration and economy after the collapse of the Nazi system would almost certainly have been accompanied by even more acute material shortages than those that were actually experienced.

Though the Austrian basic ration did not rise above 1,600 calories a day until November 1947, the minimum physiological needs of the normal consumer have been estimated at 2,160 calories. It might have been expected, therefore, that the results of so long a period of under-nourishment after the strain of the War would have been far worse than they actually were. One reason why they were not has already been mentioned: a large number of people resorted to the black market. But there were two other explanations.

During 1947 there were approximately 5 million Austrians in the rationed, as opposed to the self-supplying, category. Of these only about 2 million were normal consumers in receipt of basic rations. All the rest, either as employees, workers,

146 heavy workers, children, or nursing and expectant mothers,
434 were entitled to additional or special rations. Children had less calories, but received a special allocation of milk. In the case of employees the addition was small, but for workers of all categories and for nursing and expectant mothers it was considerable, though the minimum requirements were correspondingly greater.

648 The second explanation was the widespread and well-organized relief work undertaken by a large number of foreign organizations, mostly on a private and voluntary basis.

Of the countries that had themselves been engaged in the War, the United States and Britain took the lead in providing voluntary relief for Austria. By the beginning of 1947 a group of British societies, pooling their resources and working with the British Red Cross, had, together with the Irish Red Cross, delivered over 5,000 tons of food, 400 tons of medical supplies, and forty tons of clothing to Austria. During the summer of 1946 the British Forces in Austria organized a highly successful Searchlight Tattoo, the proceeds of which, amounting to 400,000 Austrian schillings, were handed over to the mayor of Vienna for the benefit of the children of the city. By the beginning of 1947 various American charitable organizations had delivered to Austria over 9,500 tons of food and 320 tons of clothing. A large-scale relief scheme had been organized, known as the Co-operative American Remittances to Europe, which was happily abbreviated to the word CARE. Throughout the post-War years the arrival of large food parcels, known as CARE packets, was a cause of much happiness and gratitude amongst a great many individuals and institutions in Austria. The Quakers of both countries, in addition to distributing food and clothing, made a special contribution by organizing holiday homes for young people.

Of the neutral countries, Switzerland and the Scandinavian nations made the outstanding contributions.

The first help from Switzerland arrived in the Tyrol and the Vorarlberg as early as May 1945, and by November provisions and medical supplies had begun to reach Vienna. During the

UNRRA AND FOREIGN RELIEF

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following year the Swiss Relief Organization provided substantial midday meals for 9,500 children between the ages of six and fourteen in the most distressed districts of Vienna. Holiday homes for children were organized and improved, and food and other forms of relief were provided for old people. One of the most typical and imaginative of Swiss welfare activities was a scheme by which every month 200 children, who were considered to be in danger of tuberculosis, were taken from Vienna for a four weeks recuperation period in Switzerland. By the summer of 1948 over 30,000 tons of foodstuffs, clothing, shoes, and medical supplies had been sent by the Swiss to Austria. 648

In February 1946 a large-scale relief scheme for Vienna was put into operation by the Swedish Committee for International Relief, acting through the Swedish Red Cross and Save the Children Fund. It was arranged to provide extra nourishment over a period of six months for the 54,000 children in the city between the ages of three and six. They were divided into three groups of 18,000, each of which in turn was fed for a period of two months and provided with extra milk for the remaining four months. The food for the purpose was brought from Sweden by road and distributed under Swedish supervision. In this way a substantial contribution was made to the health of Vienna's children. Swedish relief work was carried on until April 1949 amongst Viennese children, and was gradually extended to the whole country, especially to 6,000 needy students at Austria's three universities. Altogether 5,651 tons of food and 447 tons of clothing were brought by Swedish organizations to Austria.

Danish and Norwegian societies played an important part in Austrian relief work, bringing in 1,671 tons and 1,550 tons of supplies respectively. The Danes had a share in the relief work amongst children and old people. The Norwegians paid special attention to those suffering from tuberculosis, and invited to Norway as guests children of the victims of Nazi concentration camps.

Charitable societies in Canada, South Africa, Holland, and

648 Belgium also made contributions to Austrian relief. Help was given by various international religious organizations, the International Red Cross, and the International Children's Emergency Fund, usually known as UNICEF.

The combined effect on the Austrian people of the foreign relief work was considerable. It reduced their suffering, raised their morale, and restored their faith in a shaken civilization. It was undertaken on a generous scale by such fortunate neutrals as Switzerland and Sweden. But a great deal was done by countries that in varying degrees had themselves suffered during the War. Against a background of post-War disillusionment and cynicism this example of spontaneous and efficient international altruism was an encouragement and an inspiration.

The first journey that Leopold Figl made abroad after becoming Chancellor was in the summer of 1948 to Switzerland, where he expressed the thanks of the Austrian people for Swiss aid. In 1950 the Chancellor and Vice-Chancellor together paid visits to Sweden, Norway, and Denmark, and thanked the Scandinavian nations for their help. In his reply to Figl's speech of thanks in Berne the Swiss Federal President summed up the significance of foreign relief to Austria as follows: 'According to an ancient Christian custom the receiver is not indebted to the giver; on the contrary, the giver owes the receiver thanks for providing him with the opportunity to obey the command to be charitable. Your prisoners and needy children have made it possible for us to hold high the torch of western culture in days when it was being obscured.'

VII

Marshall Aid and Economic Recovery

IN his speech at Harvard on the 5th of June 1947 the American Secretary of State, Mr. George Marshall, gave an invitation and a challenge that resulted in the European Recovery Programme. He said that the confidence of the European people in their economic future must be restored and that the initiative in drawing up the necessary plan must come from Europe. The United States would be prepared to help, but any assistance the American Government might give henceforth 'should provide a cure rather than a palliative'. He was clearly dissatisfied with the piecemeal manner in which American aid had been given to various countries in the past. What was wanted was a well-considered long-term programme. 000

Up to the summer of 1947 Austria's political leaders had not been able to look very far into the future. They had been too concerned with the problems of the immediate present. A starving or semi-starved man has no objection to piecemeal help, and has neither the physical nor the mental energy to work out long-term plans. The success of UNRRA and foreign relief, however, had prepared Austria for the second stage in post-War recovery. 648

On the 3rd of July Britain and France invited all European countries except Russia and Spain to attend a conference in Paris on the Marshall offer. The Austrian Government accepted, and the Federal Chancellor informed the Allied Council accordingly. The decision had been made separately by each of the two main political parties, and at a subsequent Cabinet meeting the single Communist member concurred in making it unanimous.

Mr. Marshall had made clear that his offer included Russia. No invitation to the Paris Conference had been sent to Russia,

648 because the British, French, and Russian Foreign Ministers had already met in Paris at the end of June, and Mr. Molotov had declared that the Soviet Union would not take part in the proposed European Recovery Programme. Russia also made it clear that she would consider attendance at the Paris Conference as an unfriendly act. As a result, the invitation was finally declined by all the East European countries under Russian influence, including Czechoslovakia, which had already accepted, and Poland and Finland, which had showed signs of wishing to do so.

Austria's decision to participate in the European Recovery Programme, therefore, had far-reaching diplomatic consequences. When the choice was made, it appeared likely that Czechoslovakia would follow suit. But, with the sudden reversal of the Czech attitude, Austria was left in a precarious position. She alone of the countries under Russian influence had come to an independent decision. In fact, so far as economic policy was concerned, the middle ground between East and West to which Austria really aspired no longer existed, after Russia had rejected the Marshall offer.

In the Allied Council's meetings in Vienna during July and August the Soviet High Commissioner repeatedly attacked both the Marshall Plan and Austria's decision to take part in it. He accused the American Element of the Control Commission of taking advantage of Austria's economic difficulties to render the country entirely dependent on the United States. The agreement signed between Austria and the United States covering Austrian participation in the European Recovery Programme, he said, imposed on Austria conditions incompatible with her sovereignty. It gave the United States control over Austria's production, trade and customs policy, budget and finances, and the general direction of her economic development. Austria became subject to a régime of capitulation under which American dealers and business-men would have unlimited right to make themselves masters in Austria. The Austrian Government was warned that the Soviet Command held it responsible for all consequences arising from the

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acceptance of such conditions. The United States High Commissioner replied by declaring that he would welcome aid to Austria under similar conditions from any other Powers, and that the American wish was for Austria to become independent of United States assistance as soon as possible. 648

The attitude of the Austrian Government in face of the implied Russian threat was courageous and firm. It informed the Soviet High Commissioner that some of the precautionary conditions in the agreement of which he complained were made necessary by the extra-territorial practices indulged in by the industrial enterprises in Austria under Soviet administration. These made it impossible for the Austrian Government to give assurances that American relief supplies would go exclusively to meet the needs of Austrians and not 'those of other Governments'. It was confident that the United States would be ready to withdraw the conditions as soon as the assurances could be given, and suggested that a good first step in that direction would be for the Soviet administration to begin conducting the industries under its control in accordance with Austrian laws and regulations.

Although the Paris Conference to discuss the Marshall offer met on the 12th of July 1947, the European Recovery Programme did not go into effect until the 3rd of April 1948, when the United States Government finally approved the first instalment of the necessary funds. By that time Austria had had almost three years in which to recuperate after the War. Before considering the contribution of Marshall Aid to Austrian recovery, therefore, it is necessary to examine briefly the state of the Austrian economy at the beginning of 1948.

Apart from the disastrous legacy of the War and the hand-to-mouth economic policy forced on the Austrian Government by lack of food, Austria had to contend with two other difficulties during 1946 and 1947. They were both unusually dry years, and there was a crippling shortage of coal. 731

Rainfall means a great deal to Austria, partly owing to its dependence on hydro-electric power, and partly because the climate of the chief grain-producing area is only just wet

731 enough for grain production. The effects of the drought at this time were particularly unfortunate. Agriculture, from which much had been hoped, made no contribution whatever to recovery. Food production in 1947 did not even reach the low level of 1946. Similarly, though hydro-electric current production was potentially over 60 per cent greater than in 1937, the total current produced in 1946 was only 24 per cent higher than in 1937. The following year it rose by about 2 per cent, but this was due entirely to the increased production of steam-driven power-stations. The amount of hydro-electric current actually fell.

316 There were several reasons for the coal shortage. Europe as a whole was short of coal. Austrian consumption had risen owing to the new iron and steel works at Linz, the development of steam-driven power-stations, and the needs of the occupying forces. The country had not the foreign exchange to pay for the coal needed from abroad, and the coal provided by the Western Allies from Germany was restricted by lack of transport.

433 For several weeks at the beginning of 1947 Austrian industry practically came to a standstill owing to what were euphemistically described as 'fuel and power holidays'. Finished-goods industries were completely closed down. The paper industry for a time virtually ceased to operate, and even some firms classed as essential had to suspend work. Such a stoppage was a major disaster for an economy struggling against odds to get on to its feet.

The 1947 production figures for some of Austria's key industries give an idea of the position of the Austrian economy when Marshall Aid began. It must, however, be remembered that the situation at the end of the year was better than at the beginning, and that in the case of most industries it continued to improve during the first three months of 1948. The position, therefore, was somewhat better in April 1948 than the figures indicate.

In each case, except for agricultural produce, the production by weight is given as a percentage of the 1937 figure:—

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Pig-iron	56.15	Leather Goods	62.80	433
Raw Steel	54.89	Textiles:—		
Raw Aluminium	104.36	(a) Yarn	32.48	
Magnesite	56.09	(b) Fabric	39.49	
Electric Motors	21.54	Total Agricultural		
Paper	48.76	Produce (by value		
Cellulose	24.62	reckoned in terms		
		of 1937 prices)	44.00 ¹	

Since 1918 foreign trade has been of vital importance to Austria. Before the War her foreign trade quota per head of population was one of the highest in Europe, and after the War it was of urgent importance that this state of affairs should be restored. The country was dependent on imports for most of its coal, for an essential part of its food supplies, for the raw materials for some of its key industries, and for much of the machinery and equipment necessary for its economic revival. Foreign exchange for the purchase of these imports had to be earned by Austria's own exports. This was clear to the country's political leaders as soon as the Government was formed, and every effort was made under the most difficult conditions to revive foreign trade with the least possible delay. 439

During 1946 a series of primitive barter agreements were signed with foreign countries, starting with immediate neighbours. On the 11th of February the Allied Council approved such agreements with Czechoslovakia and Italy. In June a contract was made between Austria and Poland by which 45,000 tons of Polish coal were to be exchanged for Austrian scythes and sickles. In November an important trade agreement came into force between Austria and France which provided for the exchange of specific goods and defined the arrangements for payment. As time went on, the barter type of arrangement gave way to more normal commercial agreements. By the end of 1947 Austria had signed treaties, in

¹ Of all Austrian economic statistics those for agriculture are the least reliable. As regards actual produce, in contrast to produce for which the farmers submitted returns, the above figure is probably too low.

439 addition to those that have been mentioned, with Switzerland, Great Britain, Belgium, Holland, Sweden, Hungary, Bulgaria, Rumania, and the British-American zone of Germany.

During the War Austria had been cut off completely from the outside world. So it was natural that in the immediate post-War years the bulk of her foreign trade should be with her neighbours. In 1946, 64 per cent was with Switzerland, Czechoslovakia, and Italy, as opposed to 23 per cent in 1937, and only 7 per cent with overseas countries, in contrast to 17 per cent in 1937.¹ The following year Switzerland easily headed the list, followed by Czechoslovakia, Italy, West Germany, and Great Britain.

With a view to stimulating foreign trade, the Vienna Fair of Austrian manufactured goods was revived in May 1946. It was held again in October, and henceforth became a regular feature of Austrian economic life. The Spring Fair was a success. It aroused foreign interest in trading possibilities with Austria and produced orders from abroad. The Autumn Fair was visited by a million people, including 5,000 foreigners, and was a great stimulus to exports.

In spite of these efforts, improvement in Austria's foreign trade was slow. Commercial imports and exports in 1947 amounted to only 24 per cent and 26 per cent respectively of the 1937 level, after allowance had been made for the changed value of the schilling. The situation was made more serious by the alteration of the terms of trade to Austria's disadvantage. The foodstuffs and raw materials that Austria imported had become more expensive, while the finished goods she exported had become cheaper. Consequently, in 1947 Austria would have to export nearly twice as many finished goods as in 1937 to pay for the same quantity of grain. On the other hand, the improvement in foreign trade during the course of 1947 had been considerable, the figures for the second half of the year

¹ These figures refer to commercial foreign trade only. They do not include imports brought in by UNRRA or under the official or voluntary relief schemes of foreign States.

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being about 68 per cent better than for the first half. This was due partly to the fuel crisis in January and February, but it represented also a fundamental change for the better. 439

Such briefly was the state of the Austrian economy shortly before Marshall Aid began.

A long-term programme for Austrian economic recovery could have only one aim: to achieve self-sufficiency on a lasting basis. Yet the statement of such a simple objective in 1948 was a very small contribution to the solution of the problem. The situation at the time was so critical and exceptional as to make the quiet pursuit of a long-term plan neither desirable nor practicable. Austria's first requirements were food and the raw materials and equipment necessary to rebuild her industries and her export trade. These needs had to be met at all costs and to a large extent took precedence over the consideration of priorities for the future. The future itself was so uncertain as to make too much regard for it foolish. There were three major questions which no one was in a position to answer, however confidently he might speculate. How long was Russia to control Austrian oil? How soon was Austria to regain her political independence? And what kind of Europe would she find herself in when she was free? The enigma of the future is the whole world's burden. But at present it centres round the division of mankind into two great camps, and those on the dividing line between them are especially conscious of it. 185

In these circumstances the natural tendency to take the short-term rather than the long-term view, to prefer economic tactics to economic strategy, could be justified in some measure on rational grounds. Certainly, in drawing up an ERP.¹ plan for Austria, the American authorities, on the one hand, and Austrian statesmen and economists, on the other, took full account of existing circumstances and of the urgency of present claims, sometimes inevitably at the expense of long-term considerations and of the well-conceived ideas of theoretical economists.

¹ European Recovery Programme.

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Some of the points that carried weight with those responsible for planning Marshall Aid for Austria deserve attention.

The geographical position of the various industries played a large part in determining their position in the recovery programme. Neither the Americans nor the Austrians wanted to see American capital invested in the Russian zone. An overwhelming proportion of it was therefore allocated to the three Western zones. This course was made easier by the fact that Austrian industrialists had the same attitude, and a transference of industry from Lower Austria and Vienna to the West had already begun, in so far as new developments and reconstruction programmes made such a movement possible. The labour question, so far from presenting an obstacle to this tendency, helped to accentuate it. The transference of population from East to West has been one of the characteristics of the post-War years, due partly to war damage in Vienna, but much more to the fact that refugees from East Austria did not always return, and to the large number of German-speaking refugees from Eastern Europe that crowded into the Western provinces.

A second consideration that had great influence with the planners was the extent to which industries were easy to control and would fit conveniently into so vast a project as the recovery programme for Austria.

The Americans were in closest contact with the industries in their own zone. Here economic supervision had been their responsibility since 1945. They were aware of the needs, the potentialities, and the standard of efficiency of the various concerns, and in many cases had already done a great deal to set them on their feet. It was a matter of understandable pride to the American element that its own zone should play a leading part in the recovery of the country as a whole.

As a general rule large enterprises were the most suitable recipients of Marshall Aid. The United States Congress had not voted billions of dollars in order that an army of administrators and inspectors should travel round Europe considering the needs of small concerns. The purpose was to make a

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decisive contribution to a continent's recovery, and this could best be done by giving aid to the major industries of every country concerned. This fact alone was of great significance for the Austrian economy, with its tradition of skilled craftsmanship and its preponderance of small businesses. 185

In 1946 and 1947 the Coalition Government agreed on the nationalization of the banks and a number of key industries. These included coal, iron and steel production, the mining and smelting of other metals, the nitrogen works at Linz, certain sections of the machine and light-metal industries, the manufacture of locomotives and rolling-stock, the electrical industry, and the production of electric power. There were a number of reasons why both parties approved so large a measure of nationalization. The railways, the post office, and the sale of salt and tobacco had been nationalized under the Habsburgs, and there were compelling arguments for the extension of State control at this stage. Some of the industries now nationalized had been seriously damaged during the War. Some were in process of development on a grand scale but were incomplete. Others again were essential to the national economy but could not be run at a profit. The capital and over-all planning necessary to deal with the situation could not be provided by private enterprise, but part of it at least might be provided by the State. Whatever was done must be part of a co-ordinated plan. The aluminium works at Ranshofen, for example, would become a white elephant unless the necessary electric current were available. These considerations brought the People's Party into accord with the Socialists and Communists. 471

The effect of nationalization was to bring a large section of the Austrian economy under unified control. The nationalized industries were of vital importance to the country. Their success had become the immediate concern of the Government. They therefore had a strong claim to substantial support, and their privileged position ensured that they would get it. No industries were easier to control or would fit more naturally into the national recovery programme.

439 A further point that weighed with the planning authorities
 185 was the state of the European and world markets at the time. The main demand was for investment goods with which to carry out reconstruction programmes. Few countries had much to spend on anything but bare necessities. The prices of primary goods were therefore high, while secondary goods were relatively cheaper. The pre-War Austrian economy, with its emphasis on consumer-goods production, would have been in a weak position in the post-War world, and for the time being the war-time transformation proved a blessing. Pig-iron was one of the main exports in 1947 and 1948, and iron goods headed the list of exports in 1948.

185 Closely connected with the question of markets was the problem of the large industrial plants left behind by the Nazis.

Some held that the heavy industries endangered the country's economic future, and that Austria's true destiny was to concentrate on the development of her natural resources and on the craftsmanship and design for which she was already famous. Money spent on the development of heavy industries would in the long run be wasted, because the Linz works could not hope to compete with the industries of the foremost industrial countries, which were better placed from the point of view of transport and raw materials and had greater scientific and financial resources behind them. Others maintained that Austria's iron and steel industry should be concentrated in its traditional home. Donawitz in Styria already had the impressive plant of the Alpine Montan Company. It was closer to the ore of the Iron Mountain and to such coalfields as Austria possessed. Any capital available should be spent on the development of Donawitz. The country did not require and could not afford two different centres.

The position of the nitrogen and aluminium works was different. The whole output of artificial fertilizer could, if necessary, be absorbed by the home market. In the case of aluminium production, the determining factor was the availability of electric current, and the potential supply in Austria was more than sufficient.

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In making up their minds with regard to the Nazi legacy, the planners were influenced by all the various considerations that have just been described: the iron and steel works and the nitrogen plant at Linz, the aluminium works at Ranshofen were all in Western Austria and in the American zone; they were large nationalized industries, and their products were in great demand under post-War conditions. In addition, they were modern, they represented a large capital outlay, and they employed between 10,000 and 15,000 men. Closing them down, therefore, in deference to any long-term economic theory, could not seriously be considered. In determining the lines on which they should be developed, however, the future balance of the Austrian economy would have to be borne in mind. 185

Austria benefited under the European Recovery Programme in three different ways: through 'direct aid', 'indirect aid', and the use of the 'counterpart fund'. Every year the United States Government allocated to Austria a sum of money in dollars to cover the import of essential goods against dollars from the Western hemisphere. This was known as 'direct' or 'unconditional aid'. In special cases, dollars allotted in this way could be used for obtaining goods from countries not taking part in the recovery programme—for example, coal from Poland. Secondly, Austria was granted drawing rights to import goods from other European countries with which she had an unfavourable balance of trade, on the understanding that the country concerned would obtain payment in dollars from the United States. This was known as 'indirect' or 'conditional aid'. Its object was to stimulate trade between the participating countries and enable them to resume commercial contacts with their traditional suppliers and customers. Thirdly, goods brought into Austria with the aid of ERP dollars were paid for by the recipients in Austrian schillings, which were handed over to the Government and paid in to a special 'counterpart' account with the National Bank. The schillings that accumulated in this way could be used for two purposes only: productive investment for the benefit of the Austrian economy 457 652

457 and measures for the stabilization of the currency.' Proposals
652 were put forward by the Austrian Government, but required
the approval of the Economic Co-operation Administration,
the highest administrative authority controlling the European
Recovery Programme, which had its headquarters in Washing-
ton.

457 Under this whole system the greater part of the dollars made
available by the United States were used to provide Austria
with essential food and raw materials. At the same time a
large proportion of the schilling equivalent of the dollars could
be devoted to long-term projects that would strengthen the
country's economy.

000 In dealing with the recovery programme in detail, it will be
convenient to divide up the Austrian economy under eight
main headings and treat each of the following separately: (i)
agriculture, (ii) forestry and dependent industries, (iii) heavy
industries, (iv) other manufactures, (v) fuel and power, (vi)
minerals not covered under (iii) and (v), (vii) communications,
(viii) the tourist industry. The division is rough and arbitrary,
and the headings imply some overlapping, but it is an over-
simplification convenient for dealing with a large and com-
plicated subject in a limited space.

241 As has been seen, Austrian agriculture was in a lamentable
185 state when Marshall Aid began. If food production could be
increased and Austria became less dependent on imports, a
considerable contribution would be made to improving her
trade balance. Yet for several reasons agriculture was not a
branch of economy that could easily be improved by foreign
assistance. The great majority of the farms were small. The
peasants were conservative and difficult to influence. Two of
their main problems were lack of labour and the low level of
agricultural prices, and these were problems that had to be
solved by the Austrian Government itself.

The target was set, however, of restoring production to the
pre-War level by 1953. Seeds, farm machinery, and feeding-
stuffs were to be supplied. Above all, a much greater use of
artificial fertilizer was to be encouraged. Before the War

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Germany used thirteen times as much per acre as Austria; Holland sixteen times as much. There was great scope, therefore, for increased use. Austria now had her own production plant, and the price of imported fertilizer had scarcely risen half as much as food prices. The programme suggested that by 1953 over four times as much should be used as in 1937, and even then the economic optimum point would nowhere near have been reached. 241
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The significance of Austria's forests is shown by the fact that between the Wars they provided a livelihood, directly or indirectly, for about one-sixth of the population. Lumber exports amounted in value to over 10 per cent of the country's total and, together with the exports of the dependent paper and cellulose industries, just about paid for Austria's most important food imports. After the War the forests were suffering from the excessive felling that had been carried out systematically during the past few years and from the fact that it had taken place in the more accessible areas. This double injury could only be put right by a policy of restraint extending over a number of years: by reducing cutting, and by concentrating on the less accessible, and therefore the less economic areas. In consequence the fundamental cure was, to a great extent, beyond the scope of the recovery programme. But the timber, paper, and cellulose industries had one feature in common: their equipment was very largely out-of-date and inefficient. Judged by modern standards, the methods employed in forestry and the timber industry were still primitive. The sawmills were mostly on a very small scale and could not be compared in efficiency with large up-to-date enterprises in other countries. The consumption of coal in Austrian cellulose factories was about one ton for every ton of cellulose produced, whereas a good Swedish factory used less than a third of the amount. Much of the equipment in the paper-mills was so obsolete that the competitive power of the Austrian paper industry in world markets was being undermined. Here ERP resources could be of great assistance, and funds were allocated for the introduction of modern equipment and modern methods into all three industries. 313
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433 Austria's heavy industries included, in addition to the Nazi legacy, the iron and steel works at Donawitz and the important Steyr-Daimler-Puch Company, which produced tractors, automobiles, motor-cycles, cycles, and ball-bearings. Some of the general considerations have already been mentioned that caused the planning authorities to look favourably on the Linz and Ranshofen enterprises.² Apart from the fact that Donawitz was not in the American zone and that the Steyr-Daimler-Puch Company was not nationalized, these considerations applied to all the heavy industries. Furthermore, for a number of reasons, each of the industries required the expenditure of a large amount of capital in order that its potentialities might be utilized fully for Austria's benefit.

In the first place, the concerns that had come into existence during the War were still incomplete when the War came to an end. Secondly, heavy industries were amongst the main targets for Allied air attacks, and some of them were very severely damaged. The nitrogen works at Linz were hit by about 800 bombs, and the main Steyr-Daimler-Puch plant at Steyr was almost completely destroyed, the total damage suffered by the Company's installations in the Steyr and Graz areas being estimated at over 220 million marks. After the War the destructive work of bombs was completed by systematic dismantling and confiscation. A large quantity of vital machine-tools was seized, and at Donawitz the steel-rolling plant was taken down and removed by the Russians, before the British occupied Styria. The third reason why capital expenditure was required was the need to transform and develop the various industries so as to comply with the future demands of the Austrian economy. The process of adaptation from war-time to peace-time production itself involved large-scale replacement of equipment. Even more important were the measures required within the heavy industries to restore the health and balance of the country's economic life.

If Austria was to maintain large plants for the production of iron, steel, and aluminium, it was at least desirable that the processing of these metals should be carried sufficiently far to
²[Cf. cate 90+y 116, pp. 102-103 — Analyst]

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provide the country's metal-finishing industries with the sheets, rods, and other forms of metal that they required. In this way the producer-goods industries would contribute to the success of the consumer-goods industries, which would become independent of imports and would give Austria's traditional skill and craftsmanship the opportunities they required. The benefit to the whole economy is indicated by the fact that a given weight of finished aluminium products has on an average five times the value of a similar weight of raw aluminium. An Austrian member of Parliament pointed out in 1947 that no skill would be required in Austria to buy 10,000 wrought-iron candlesticks, but that it might well be difficult to get hold of a handful of nails. Such a state of affairs would in the long run be inexcusable in post-War Austria, and it was one of the duties of the E.R.P. planners to make it impossible.

The Hermann Goering iron and steel works in Linz, which became the Vereinigte Österreichische Eisen- und Stahlwerke (United Austrian Iron and Steel Works) and are usually known as VÖEST, were planned for a total output of a million tons of iron and steel a year. Before the War ended five of the six blast-furnaces were completed, while the annual production of steel only amounted to 250,000 tons. It was important that the output of steel and sheet-metal should be greatly increased. With this end in view a large outlay of capital was planned for the installation of steel production plant and rolling-mills at Linz and for replacing the rolling-mill at Donawitz. The ERP long-term programme aimed at decreasing the value of pig-iron exports from \$9 million to \$5 million within four years and at simultaneously increasing the value of rolled steel products from \$25 million to \$34 million. At Ranshofen finishing works were planned that were capable of handling 15,000 tons of aluminium a year, a figure based on the estimated home consumption.

The nitrogen works at Linz were to be developed and adapted so as to produce 40,000 tons of sulphuric acid a year and 100,000 tons of ammonium sulphate. This would give to their products greater variety and competitive power in world

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387 markets, ammonium sulphate being more valuable and more suitable as a fertilizer for certain climates than ammonium nitrate.

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398 The Steyr-Daimler-Puch Company was to be assisted in its programme of concentrating on products of special value to the national economy. The production of motor-cycles, cycles, and ball-bearings was continued, but at its main Steyr works the chief output consisted of diesel trucks, tractors, and omnibuses. An arrangement was made with the Italian Fiat Company by which Fiat passenger cars were to be assembled at Steyr, but no attempt was made to embark on the highly competitive passenger automobile production.

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457 This comprehensive programme for the heavy industries involved a very large expenditure, and it was not surprising that in 1949 and 1950 nearly half the counterpart funds allotted for industrial purposes were devoted to the iron and steel industries alone.

Compared with the very significant help given under the European Recovery Programme to the heavy industries and the paper industry, Austria's other manufactures, most of which produced consumer goods, were, with the exception of textiles, largely neglected. Before the War about 75 per cent of Austria's industrial workers were employed in concerns in which there were less than 100 employees. Large enterprises played a bigger part in the country's post-War economy, but one of the reasons why the consumer-goods industries were neglected was that they were mostly still on a comparatively small scale. It was therefore difficult to organize assistance for them, and at the same time they lacked effective champions. Another reason was that they had, on the whole, suffered less from war damage. Apart from textiles, the manufactures that came off best were the electrical industries, which had lost a high proportion of their equipment from dismantling and had subsequently been nationalized. The ERP plan for Austria set out to raise the production of heavy industries in four years to 160 per cent of the 1937 level, while the target for consumer-goods industries was only 110 per cent of the 1937

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figure. By the autumn of 1951 the small crafts, which employed nearly as many people as industry, had received only 14 million schillings from the counterpart fund, which was only 0.4 per cent of the total. 185
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There was no branch of the Austrian economy in which the need for capital investment was greater than in fuel and power. Nor was there any branch to which the allocation of available funds would be the subject of less controversy. The Austrian Republic's shortage of coal, which had always been serious, was more acute than ever, owing to the development of the iron and steel industry. And Poland and Czechoslovakia, Austria's traditional suppliers, were now in the Russian orbit, and charged excessive prices for such coal as they were prepared to deliver. At the same time the country had vast potential sources of hydro-electric power, which only required capital for their development. It was most important that the development should take place both to economize consumption of coal and to satisfy the growing demands for electric current of Austrian industry and the Austrian people. 433

Austria's oil-fields were her main resources in mineral fuel, but, being under Russian control, they did not fall within the scope of the recovery programme. Her coal-mines, which produce 95 per cent lignite, could only satisfy between 25 and 30 per cent of her requirements in 1948 and 1949. As a result of forced production during the War and neglect of new development, the coal was difficult and expensive to work, and the output per miner was only three-quarters of the pre-War level, although the miners' own record had been excellent. 316

The production of hydro-electric current increased steadily during the War, until in 1944 it had more than doubled. In 1945, owing to the serious disorganization that accompanied the end of hostilities, output fell off considerably, but between 1945 and 1948 it rose from 2.51 billion kilowatt-hours to 4.45 billion. The steam-driven power-plants, so important for the maintenance of winter supplies, had suffered severe damage during the War, especially at Linz, and were not back in full production by 1948. Meanwhile the growing importance of 433
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433 electricity to the Austrian economy was shown by the fact that
377 domestic consumption per household had increased by 60 per
cent between 1938 and 1947. In 1947, also, Austria exported
nearly a quarter of its total current production and stood second
amongst European countries as an exporter of electric power.

433 Substantial ERP funds were allocated to the coal-mines for
457 new development and modernization of equipment with the
object of increasing productivity. Aid was also given in the
reconstruction of the damaged steam-driven electric power-
stations, and in the building of new stations in the neighbour-
hood of the lignite fields. But the bulk of assistance in the
sphere of fuel and power was naturally devoted to the develop-
ment of hydro-electric resources.

185 Austria's total potential hydro-electric power production is
377 estimated at not less than 30 million kilowatt-hours a year,
457 more than five times the present output. The possibilities
were already realized in some measure before the end of the
nineteenth century, and development between the Wars was
help up mainly owing to lack of domestic and foreign capital
on the large scale required. The European Recovery Pro-
gramme offered a great opportunity, which was not likely to
recur, and at the Paris Conference which considered the Marshall
offer in the summer of 1947 the Austrian delegation began at
once to consider proposals for electric power development. By
the following year a general plan had been drawn up that aimed
at doubling production in the ten years starting with 1948.

ERP support was limited to four years, but provided for the
generous allocation of counterpart funds both for the com-
pletion of plants under construction and for the initiation of
new works. The programme covered projects in all of the six
provinces under the Western Allies, but was confined to them.
The great plant planned at Ybbs-Persenbeug on the Danube in
Lower Austria, with a potential output of a billion kilowatt-
hours a year, had to be left out, because it was in the Russian
zone. Major projects in Western Austria included those on the
Ill in the Vorarlberg, on the Drau in Carinthia, and on the
Enns, the Inn, and the Danube in Upper Austria. The new

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works begun at Braunau on the Inn and at Jochenstein on the Danube were undertaken in collaboration with Western Germany. Most important of all were the power-stations dependent on water stored in great mountain reservoirs, such as those at Achensee in the Tyrol and at Kaprun in Salzburg. This type had the great advantage of being able to reserve its major output for the winter months, when hydro-electric current was in short supply. If they were developed on a sufficiently large scale, it would be possible to reduce the number of steam-driven plants, and so economize coal. 185
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Of all the hydro-electric projects in process of construction, Kaprun was the most significant for the Austrian economy as a whole. Three great reservoirs were to be created at different levels by the construction of a series of dams, the top two reservoirs being connected by a conduit through the mountains nearly twelve kilometres long. When the work is completed, the annual production of current will be 620 million kilowatt-hours, of which 460 million will be produced in winter.

After iron, oil, and coal, the most valuable of Austria's mineral resources at present being utilized is magnesite. The magnesite industry did not suffer seriously from the War, and after a temporary setback, owing to the coal and power shortage in 1946-7, had regained the pre-War level of production by 1948. The greater part of the magnesite produced was exported, some of it to the United States. As a dollar-earner, therefore it was important that the efficiency of the industry should be maintained and its production increased. The bulk of the capital required for modernization was provided by the industry itself, though an allocation was made from counter-part funds as well. 316
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Austria also has small deposits of copper, lead, zinc, and subsidiary metals. Under normal conditions their development could hardly be justified economically in competition with the world's main sources of supply. But for two reasons a good deal of attention has been paid to them since the War: they provide materials essential for the important electrical industry, and Austria has not had the foreign exchange necessary to

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buy freely in the cheapest market. The main purpose of the counterpart funds allotted to the development and modernization of mines and refineries, therefore, has been to save foreign exchange, with the possibility of increasing the exports of finished products as a secondary incentive.

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The railways have always played a part of special significance in the Austrian Republic's economy. When the Habsburg Empire fell apart, Vienna remained an important centre of communications linking up Western Europe with the Succession States and the Balkans. Between the Wars the international transit services carried out by the Austrian railways between East and West, and North and South, were an important source of national revenue. After the tourist industry they were the main means on which Austria relied to reduce her trade deficit.

After the Second World War the amount of transit traffic through Austria fell off considerably for two main reasons. In the first place, there was a sharp decline in trade and travel between the Iron Curtain countries and the West. Secondly, war damage, lack of coal, wholesale confiscation of rolling-stock by the Russians, and the failure of Hungary and other satellite countries to return trucks sent across the border seriously reduced the efficiency of the services the Austrian railways could offer. Traffic between Switzerland, on the one hand, and Poland and Czechoslovakia, on the other, was diverted from Austria to Germany.

The Austrian railways have come in for a good deal of criticism since the War, and from a first glance at their annual balance-sheets the criticisms appear to be justified. A series of losses culminated in a deficit of approximately one and a half billion schillings in 1951, which meant that every Austrian would have to pay about 200 schillings to make up the deficiency. Yet a superficial judgement in this case is unfair. The railways unquestionably required to be reorganized and rationalized. But, apart from the losses and damage resulting from the War, they were suffering from a number of adverse circumstances that were not always taken into account.

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The German authorities raised the number of employees to over 100,000 during the War, compared with 57,000 in 1937, and owing to the difficult conditions of the immediate post-War years, this excessive figure was only slowly reduced. By 1950 it was down to about 80,000, but only at the expense of increasing the number of pensioners, who in that year actually exceeded the employees by nearly 4,000. This disproportionate burden in respect of pensions, which accounted for nearly a third of the budget, was due to the political changes both in 1945 and 1918, no less than 15,000 of the pensioners being German-speaking employees who were dismissed when the Habsburg Empire broke up. 497

The railways also suffered from the competition of road, river, and air transport, all of which were in receipt of large, mostly concealed subsidies in the form of road construction and repairs and the building and maintenance of wharves and aerodromes. The rivalry of road vehicles was particularly severe, the number of lorries and trailers in the autumn of 1949 exceeding the 1937 figures by nearly 300 and 900 per cent respectively. [494]

A third factor that contributed to the heavy deficit was the comparatively small increase in fares that had occurred since before the War. In the summer of 1951 the passenger and freight fares were only 195 per cent and 285 per cent of the 1937 figures, whereas the rise in the general price level amounted to about 700 per cent. As the railways were subsidized directly, and road transport indirectly, in neither case was the principle respected that those who use transport services should pay for them.

In spite of the serious position of the Austrian railways after the War, they remained by far the greatest single economic enterprise in the country, and their potential contribution to the balance of trade in happier times was considerable. A substantial allocation was therefore made to them from counter-part funds. It was to be used for two main purposes: to repair war damage and to extend electrification. The electrification programme of the between-War period had resulted in 990 497 457

497 kilometres of track being electrified and in the annual saving
 457 of 300,000 tons of hard coal. The new programme worked
 out under the stimulus of ERP aid would mean saving a
 further 700,000 tons of imported coal. Quite apart, therefore,
 from the possibility of recovering transit traffic in the future,
 the new developments would lead to a substantial economy
 in foreign exchange.

727 In 1936-7 about 80 per cent of Austria's trade deficit had
 484 been covered by the earnings of the tourist industry. After the
 War some years were to elapse before the number of foreign
 visitors approached the pre-War figure. There were several
 reasons for this. The total war damage suffered by the industry
 was estimated at 270 million schillings in terms of 1937 prices
 and at about 1,500 million schillings with the schilling at its
 1950 value. Out of 200,000 beds available for tourists in 1937,
 80,000 were lost, of which half had been suitable for foreign
 visitors. Accommodation for a further 30,000 was requisitioned
 by the occupying Powers in the early post-War years. In
 addition, serious obstacles were presented by the food shortage
 and the difficulty of obtaining passes for entering the country
 and for crossing the zonal boundaries.

484 Efforts were made both by the Austrians and the Western
 457 Allies to establish the conditions necessary for the revival of
 the industry. In October 1946 an Austrian organization was
 established for this purpose. In 1947 arrangements were made
 by which food was purchased abroad in order to provide
 foreign tourists with rations on a basis of 4,600 calories a day
 without depleting the limited Austrian supplies. The following
 year the Austrian Government was made responsible for the
 issue of visas to intending visitors, and the visitors, once in the
 country, were free to move about between the different zones.
 Yet, in spite of these measures, progress was slow. In 1947-8
 the volume of foreign tourists, measured both in numbers and
 length of stay, amounted to only about 12 per cent of the 1936-
 7 figure, and in terms of foreign exchange earnings the com-
 parative value was considerably less.

The ERP planners recognized the vital importance of the

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tourist industry in Austria, though it was not until 1950 that a substantial allocation of counterpart funds was first made. Help was needed for the rebuilding and modernization of hotel accommodation, for the construction of ski-lifts and cable railways in mountain resorts, and for the establishment of publicity offices and information centres abroad. The number of tourists from East and South-east Europe had fallen off considerably, while visitors from Italy, Western Europe, and North America were increasing. This meant that post-War tourists from abroad, on the whole, expected a higher standard of comfort and amenities than had been available in the past.

From an economic standpoint no country had a greater need than Austria for the assistance made available under the European Recovery Programme. In few countries, moreover, was the establishment of a sound economy as important from a political point of view. That these two considerations were appreciated by the Economic Co-operation Administration in Washington is shown by the fact that during the first year of Marshall Aid, Austria received a higher allocation per head than any other country. In the second year its share per head was exceeded by Holland only.

The establishment of the counterpart account made it possible for Austria to embark on a much larger investment programme than had previously been possible, at a time when war damage and the legacy of incomplete heavy industrial plant made such a programme particularly desirable. In 1937 only 6 per cent of the national income had been devoted to investment, while in the ERP years the percentage varied between 17 and 21. In the allocation of funds preference was given to projects which promised to improve Austria's trade balance within a short space of time, but this main principle had to be combined with the need to round off and complete, as far as seemed expedient, the great installations that had been left unfinished at the end of the War.

Direct aid was used at first mainly to import food and the raw materials necessary to enable domestic industry to resume production. As the general situation improved, it was possible

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to increase the proportion of raw materials imported and to help production by bringing in machinery and industrial equipment.

The following figures show the total assistance given up to the end of June 1952 under the three categories and some of the main purposes¹ to which it was directed:—

		\$1,000
A. Total Authorizations under Direct Aid ²		632,401
Actual imports under Direct Aid include:—		
Food		248,579
Agriculture		64,047
Including:—		
Corn for Feeding		54,168
Fertilizers		5,642
Industry		148,083
Investments (Machinery)		50,042
Raw Materials		98,041
Including:—		
Wool		5,012
Cotton		41,161
Hides		8,707
B. Total Drawing Rights Granted under Indirect Aid		277,300
		Millions of Schillings
C. Total Releases from the ERP Counterpart Account ³		8,036.3
Allocations include:—		
Government Investments		1,451.9
Including:—		
Federal Railways		796.4
Post and Telegraph Services		203.7
Roads and Bridges		174.4
Agriculture and Forestry		52.7
Federal Forests		32.6

¹ Only details relevant to this chapter have been chosen.

² Prepared by the Austrian Institute of Economic Research from statistics of the Central Bureau for ERP Affairs; 31 March 1952.

³ Figures prepared by the Austrian Institute of Economic Research.

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Allocations include (contd.):—		Millions of Schillings	
Industrial Investments		4,113.1	457
Electric Power		1,424.3	454
Coal-mining		226.0	
Other Mining		25.7	
Primary Iron and Steel Industry		827.7	
Non-ferrous Metals Industry		126.2	
Electrical Engineering		85.1	
Chemical Industry		174.4	
Secondary Iron and Metal Industry		215.1	
Textile Industry		214.0	
Woodworking Industry		121.3	
Paper Industry		533.2	
Leather and Leather Goods Industry		6.9	
Special Recovery Programme		1,467.0	
Agriculture		719.7	
Forestry		156.3	
Tourism		256.7	

In May 1948 an ERP Central Office was set up in Vienna and made responsible to the Minister for Foreign Affairs. In December 1949 the economist, Professor Wilhelm Taucher, who had been Minister of Trade before the War, was put in charge of it, and the office then became part of the Federal Chancellery.

It became clear to all those responsible for administering Marshall Aid in Austria that the fundamental need of the Austrian economy was to improve the efficiency of production, or increase 'productivity' in the specialized sense of the term. Only in this way could Austrian goods compete successfully in world markets. It was therefore decided in April 1950 to establish an Austrian Productivity Centre with the task of doing everything possible both by study and practical measures to increase productivity in all branches of the Austrian economy. Professor Taucher became president of the Centre.

The productivity of the whole Austrian economy after the War was lamentably low. In 1947 it was estimated to be

647 between 50 and 55 per cent less than the 1937 level. There were
433 certain obvious reasons for this state of affairs: war damage,
out-of-date equipment, lack of fuel and raw materials, and the
influence of food shortage on the physical and mental efficiency
of the workers. But as conditions improved it became evident
that there were other factors contributing to the same result
that could in some measure be mastered by the education and
endeavour of the Austrian people themselves. Years of ration-
ing and controls had weakened the competitive sense in
Austrian industry. The severity of the post-War crisis, un-
certainty as to the future, combined with the occupation and
the arrival of foreign help, led many to assume that salvation
could only come from outside and in no way depended on
themselves. A good system of social legislation and a liberal
allowance of public holidays on religious and secular occasions
added a false sense of security and even a touch of recklessness
to the prevailing attitude.

647 The Productivity Centre, which was supported both by the
trade unions and the employers, worked by three main
methods. It maintained a staff of experts who made systematic
studies of productivity problems, carried out investigations of
actual enterprises, and recommended improvements in method.
With ERP help it arranged for foreign technical experts to
visit Austria and organized study tours of Austrians in the
United States and other countries. Perhaps most important of
all, it initiated a publicity campaign to make the Austrian
people conscious of the productivity problem. Two series of
booklets were published dealing with specific aspects of the
productivity campaign as it affected Austria, and an illustrated
periodical entitled *Der Schlüssel* ('The Key') kept the public
informed regarding the activities of the Centre and the efforts
made in other countries to raise productivity.

The main aim of the Centre's educational work was to drive
two points home: that it is worth while for the individual to
increase his income and standard of living by means of better
work and achievement, and that Austria's future prosperity
would depend upon a co-operative effort by everyone con-
cerned to increase the efficiency of all branches of the
national economy.

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cerned to increase the efficiency of all branches of the national economy. 000

Marshall Aid resulted almost at once in a marked acceleration in the rate of Austrian recovery. Whereas industrial production was only about 43 per cent of the 1937 figure in 1946 and only rose to 56 per cent in 1947, in 1948 it jumped to 92 per cent, in 1949 to 123, and in 1950 to 145. After this the rate declined, partly because the return to more normal conditions made any further acceleration impossible and partly because the outbreak of the Korean War, by increasing the price of raw materials, reduced by a third the real value of ERP dollar payments to Austria. 433 457

By the end of 1951 the extent of Austria's recovery was impressive, and it could not possibly have been achieved without the steady, well-planned assistance on a vast scale that Marshall Aid implied.

The Austrian gross national product in 1951 had more than doubled since 1946 and was approximately 18 per cent above the pre-War level. Industrial production had risen to 165 per cent of the 1937 figure, while agricultural production, having risen from 56 per cent in 1947 to 90 per cent in 1950, remained at about the same level in 1951. Industrial productivity was more than doubled between 1947 and 1951, and in the winter of 1951-2 stood approximately at the 1937 level. 433

These figures taken on their own, however, are somewhat misleading. For two reasons the real per capita income and the standard of living of the Austrian people were still slightly short of the pre-War level at the end of 1951, although probably about three times as high as they had been immediately after the War. The population had increased by more than 2 per cent, and there were therefore more mouths to feed than there had been in 1937. In addition, a much higher proportion of the national income was being invested than before. After four years of Marshall Aid the average Austrian was eating little more than a third of the quantity of meat eaten by the average American. 434

If the different branches of the Austrian economy are 000

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433 If the different branches of the Austrian economy are
 241 considered separately, the record of agriculture is the most disappointing, although the rise in population and food prices since before the War made it vitally important that agricultural production should at least regain its pre-War level.

The disappearance of the black market and the progressive adjustment of internal food prices since the end of the War had improved the situation from one point of view. The conservatism of the farmers and the prevalence of small holdings in Austrian agriculture were features that could scarcely be altered. But there were several aspects of the problem that were susceptible to treatment and in which more could have been done both by the Government and by the ERP authorities.

[464] The number of paid agricultural employees, not counting the farmers themselves and members of their families, dropped by nearly a quarter, from 285,600 in 1937 to 217,000 in 1951. In view of the man-power available, more speedy and energetic steps should have been taken by the Government to counteract this tendency. The plan that has been drawn up to deal with it will be considered later. The loss of labour was balanced to some extent by mechanization, carried out largely with Marshall Aid. The number of tractors increased by 850 per cent between 1939 and the end of 1951. But the supply of artificial fertilizer and feeding-stuffs from abroad fell far short of essential needs, and agriculture's share of counterpart funds was less than the allocation to the primary iron and steel industry, which did not employ a tenth of the number of men on the land. It was not until the summer of 1952 that increased imports of feeding-stuffs and an adjustment of prices by the Government made it possible to fix the cost of bread-grains at 25 per cent above that of maize for feeding, and so stimulate farmers to increase their bread-grain production.

433 Austrian forestry and its dependent industries responded well to ERP assistance. During the first three years of Marshall Aid lumber exports increased fivefold, and in 1951 they amounted to 17 per cent of Austria's total exports. By 1951 paper industry production had risen to 113 per cent, and cellulose

MARSHALL AID AND ECONOMIC RECOVERY 121

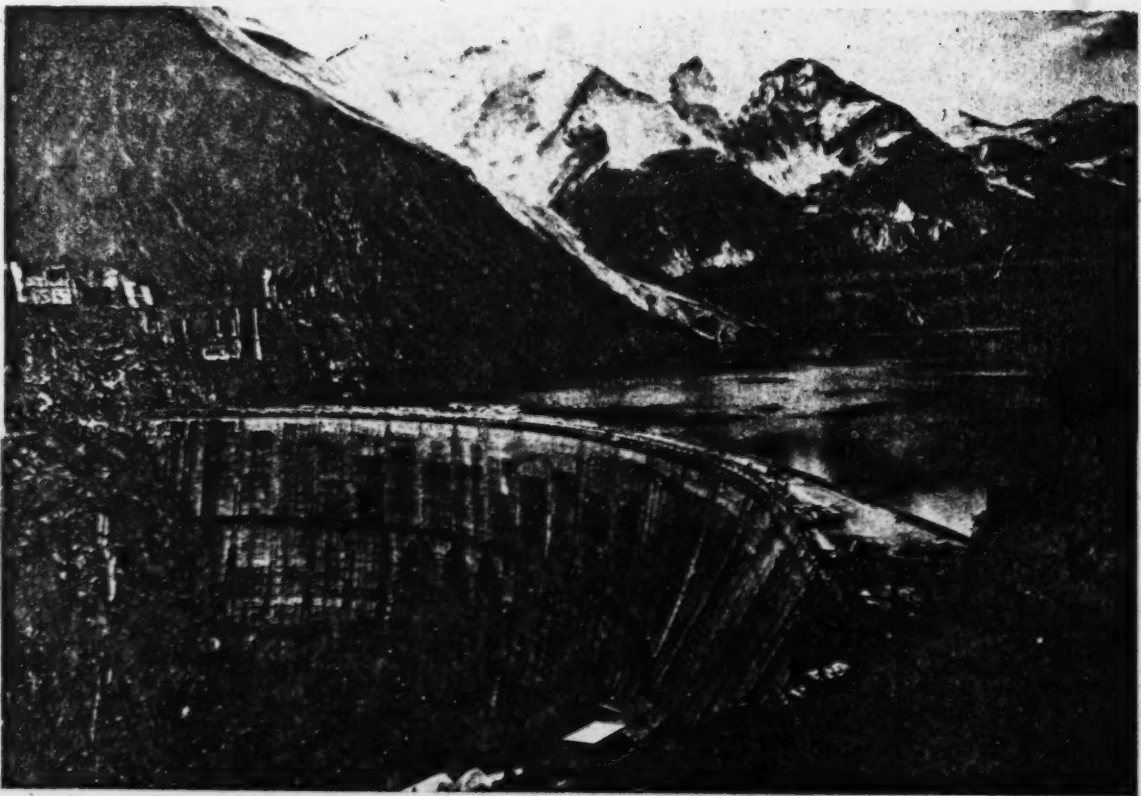
production to 102 per cent of the 1937 figure. These results, however, were achieved by continued excessive felling, which was only partly offset by the introduction of more economic methods, including the use of the remoter areas. Special attention was paid to reforestation with quick-growing kinds of timber, but the fact remains that a period of restraint will be necessary if the Austrian forests are to regain what they have lost. 473

The privileged position given to Austria's heavy industries in the European Recovery Programme is reflected by the fact that in 1951, whereas consumer-goods production was only 128 per cent of the pre-War level, investment-goods production reached 175 per cent. Stimulated by the post-War demand for capital goods and by the installation of such fine new plant as the blooming-mill at Donawitz and the blooming-and-slabbing-mill at Linz, both provided by Marshall Aid, the production of the heavy industries went rapidly ahead. If the emphasis on this branch of the economy had been overdone, it was not to become apparent until a later date.

The production in 1951 of pig-iron, raw steel, and sheet metal amounted to 270 per cent, 158 per cent, and 149 per cent respectively of the 1937 figures. Iron and steel exports in 1951 were valued at \$57 million. Aluminium output rose from 13,357 tons in 1948 to 26,380 tons in 1951, and in addition, thanks to the installation of a rolling-mill at Ranshofen, the production of sheet aluminium and half-finished goods started in 1950. By 1951, 27 per cent of Austria's aluminium production was being exported, some of it to the United States, and at the same time internal consumption had risen sharply, so that Austria had become the fourth largest consumer of aluminium per head of population in the world. The following year aluminium output went rapidly ahead owing to the increased availability of electric current. The export of artificial fertilizer from the Linz works rose to 274,152 tons in 1951 and to 188,135 tons in the first six months of 1952. The number of tractors, lorries, and buses produced by the Steyr-Daimler-Puch Company in 1952 amounted to 11,765. [328]

3: Hiscocks G-4, 5 (1946-1949) 1953 EKI Aurora EKI

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THE LIMBERG DAM AT KAPRUN

[Facing P.122]

433 In contrast to these impressive results the record of Austria's comparatively neglected consumer-goods industries was much less satisfactory. Of the two industries that received most ERP help, the electrical industry, after at first suffering from high import requirements and excessive production costs, finally responded to treatment by raising the value of its exports by nearly 400 per cent between 1949 and 1950. In 1951 textile production just managed to exceed the 1937 level. But the export of finished goods as a whole in the first half of 1951 was only two-thirds of the 1937 figure, and during the subsequent twelve months showed a tendency to fall.

[312] The high proportion of counterpart funds spent on fuel and power was justified by results. In 1951 Austrian coal production at 5.2 million tons reached a record level and was 48 per cent above the highest pre-War figure. Output per man and shift rose by 27 per cent between 1948 and 1950. The steam-driven power-station at Linz was restored to full productive capacity, and such good progress was made with the power-stations being built in the vicinity of brown-coal deposits that the total current produced by steam-driven power-stations in 1951 amounted to 1.68 billion kilowatt-hours. The production of hydro-electric current rose from 4.45 billion kilowatt hours in 1948 to 5.66 billion in 1951. In September 1951 the Limberg dam, the first and greatest of the Kaprun dams, was officially opened in the presence of the Federal President. This great engineering achievement, which is the largest curved dam in Europe and one of the largest in the world, makes possible the storage of 86 million tons of water and the annual production of 160 million kilowatt hours of winter current.

As regards other minerals, under the stimulus of ERP support magnesite and copper production went rapidly ahead, while the output of lead, in spite of the exhaustion of the more accessible deposits, has nearly regained the pre-War level. By 1951 the production of copper had risen to 308 per cent of the 1937 level, and the production of raw magnesite to 167 per cent. The figures for the main magnesite products varied between 191 per cent and 248 per cent.

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496 With the help of counterpart funds the war damage suffered by the Austrian railways had practically been made good by the end of 1949. Steady progress was also made with the programme of electrification. By December 1952 the electrification of the main line between Vienna and the Vorarlberg was complete, and 22 per cent of Austria's whole railway system, or about 1,350 kilometres of track, had been electrified. During 1951 receipts for international transit services carried out by the railways covered 6.8 per cent of the country's total trade deficit (including imports under ERP).¹

484 The tourist industry recovered rapidly with ERP assistance and the return of more normal conditions. In 1951 Austria was visited by about 1,200,000 foreigners, and the number of nights spent in the country by foreign tourists rose to 5,712,023 from 920,555 in 1948. The increase continued the following year. The industry was stimulated considerably in the summer of 1951, by the decision of the Western Allies, in conjunction with the Austrian Government, to allow the entry of Germans into Austria from the West German Republic without special documentation. As a result, West Germany provided by far the most tourists in 1951, and it was followed by Britain, Italy, Switzerland, and France. Interesting developments about the same time were the increasing number of visitors from the West to Vienna and resorts in the Russian zone and the rise in the number of tourists from Yugoslavia.

457 Although the total volume of foreign tourists measured in numbers and length of stay amounted in the tourist year 1951-2 to about 93 per cent of the 1937 figure, the total earnings in foreign exchange were about \$22.5 million, compared with \$41.1 million in 1937, when the real value of the dollar was about twice as much. The industry thus covered only 19 per cent of the country's total trade deficit compared with 80 per cent in 1936-7. This unfavourable disproportion in receipts was due partly to a change in the type of tourist,

¹ The deficit in Austria's balance of trade in 1951 was:—

4,392,425,000 schillings (ERP included),
1,649,723,000 schillings (ERP excluded).

484 partly to the low Austrian prices, which themselves had contributed to the revival of the tourist industry, but even more to
457 the black-market dealings in foreign exchange, often carried out by the wealthier tourists, which cheated the country of its legitimate earnings.

439 The ultimate test of Austrian recovery, however, was the extent to which the country had approached national solvency. The success of Marshall Aid could best be measured by its effect on the revival of Austria's foreign trade.

Since 1950 the level of Austrian exports has been much more satisfactory than during the preceding three years. Between 1947 and 1951 the volume of exports expressed as a percentage of the 1937 figure rose from 26 to 110. During the same period the volume of commercial imports increased from 24 to 87 per cent of the 1937 level. During the second half of 1950 there was for the first time a surplus of exports over commercial imports, although commercial imports did not nearly cover Austria's total needs, which were still in a large measure satisfied by ERP deliveries.

These results were achieved only as a result of strenuous Austrian efforts in the face of great difficulties.

One of the chief obstacles to trade revival was the loss of markets in East Europe. In the past, Austria's East European customers had been happy to take her consumer goods in return for such vital Austrian requirements as food and coal. But since the War they had been unable to provide Austria with the food that she needed, and, as part of Russia's economic plan for the area, had been endeavouring to build up their heavy industries at the cost of renouncing all imports but basic necessities. In 1937 they had taken nearly half of Austrian textile and clothing exports. In 1950 they took only 7 per cent. What they wanted were such things as steel, aluminium, and cellulose, for which Austria had little difficulty in finding markets and which she was only willing to deliver in return for such goods as food and coal.

Thus Austria had to find markets for her finished products elsewhere. It was not easy to do so in Western Europe, where

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competition was strong. She therefore made a determined effort to develop trading relations with overseas countries, more especially with North and South America, Asia and the Middle East. Commercial treaties were negotiated with the Argentine, Brazil, Uruguay, India, Pakistan, Indonesia, and Turkey, and a trade mission was sent to the Far East. Between 1947 and 1951 Austria's exports to non-European countries just about doubled, and in 1951 amounted to approximately 20 per cent of her total exports. 439

Yet, in spite of the general improvement, to which Marshall Aid had greatly contributed, Austria's foreign trade position was still far from satisfactory. Every year there was a substantial deficit in the balance of trade. In 1951 it amounted to \$201,300,000, and in the first half of 1952 to \$121,700,000. The deficits were covered in the early years of Marshall Aid by ERP payments, but, as these payments decreased, this was no longer the case. Furthermore, as has been seen, such invisible exports as the earnings from the tourist industry and railway transit services were very much lower than in pre-War days. 439 457

In common with other countries, Austria began to experience difficulties with her export trade in 1951. During the first half of 1952 the volume of her exports dropped by 10 per cent to approximately the level of 1937. This was due partly to the import restrictions imposed by foreign governments, but the main reason was the considerable rise in Austrian costs of production and prices, following the fifth Price-Wage Agreement of July 1951, while prices in other countries remained relatively stable. According to the index drawn up by the Austrian Institute of Economic Research, the prices of Austrian exports rose by 15.8 per cent between June and December 1951, whereas the average rise in export prices of other European countries during the same period, according to United Nations statistics, was only about 7 to 9 per cent. Even more sinister and significant was the fact that the share of Austrian exports in total European exports fell from 2.2 per cent in 1937 to 1.5 per cent in 1950 and 1951. 439

464 The decline in exports was accompanied by a fall in the production of almost all consumer-goods industries during the first half of 1952. This in turn was accompanied by a rise in the number of unemployed.

During the early post-War years there was virtually no unemployment in Austria. During the winter of 1949-50 unemployment first became a real problem, when the number of unemployed in February 1950 rose to 195,000, or nearly 10 per cent of the insured labour force in the country. This figure taken alone, however, is misleading. A high proportion of the total was due to seasonal unemployment in the building trade, in which owing to post-War reconstruction needs nearly four times as many were employed as before the War. An increasing number of women also had been registering at employment exchanges in the hope of supplementing the family income in difficult times. At the same time the total number of insured persons employed in the winter of 1951-2 exceeded 2 million, and this represented an increase of nearly 50 per cent on the pre-War level.¹ The serious development in 1952 was that the high February total of 215,000 unemployed did not yield normally to seasonal improvement, and that throughout the summer there were never less than 115,000 unemployed.

The original European Recovery Programme was intended to come to an end in 1952. It was a great disappointment, after four years of planned aid on such a generous scale and after so large a measure of success, that these disquieting tendencies should have begun to reveal themselves in the Austrian economy. It was equally disappointing to the Austrians that in 1952 they had not regained the independence that the Moscow Declaration had given them every reason to expect. Had they had control over the industries administered by the Soviet authorities and over even a part of their oil, the economic position of the country would have been very different.

¹ The increase was due partly to the growth of population, partly to the increase in the proportion of people seeking paid employment, and partly to the decrease in the number of independent, uninsured workers.

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Austria was clearly not in a position to pay for her essential needs without foreign help, and it was of vital importance that she should not be subjected to economic strain that would threaten her political stability. The United States Government therefore decided to continue its assistance, though on a reduced scale. Direct Aid amounting to \$70 million was promised in two instalments for the financial year 1952-3. The release of funds from the counterpart account was made conditional on the Austrian Government taking adequate measures to balance the budget and check inflation.

At the same time a growing body of expert and informed opinion in Austria was becoming convinced that the situation demanded a new outlook and a new policy. Austrians had acquired the habit of looking abroad for their economic salvation and blaming the Allies for the lack of a State Treaty. But the continuance of the occupation, which was the result of the conflict between Russia and the West, was Austria's heavy share of a burden borne by many countries. Against it could at least be set the sustained moral and material support of three of the occupying Powers. In the circumstances the only healthy attitude was to take energetic steps to strengthen Austria's economy and free it from dependence on foreign help that was being progressively reduced and could not last indefinitely. Such a policy would not have been feasible in the early post-War years, but conditions had so much improved after four years of Marshall Aid that there was now no real alternative for a people with pride in its past and faith in its future.

There were three aims about which there was little controversy: to stabilize the currency and prices, to encourage private saving, and to strengthen the competitive power of Austrian consumer goods in world markets.

There had at first been good reasons for the policy of controlled inflation on which the Austrian Government embarked after the War. But the reasons became progressively weaker the longer the policy was pursued, and, as has been seen, the fifth Price-Wage Agreement in 1951 had serious effects on

652 Austrian exports. The continuous devaluation of the schilling
185 discouraged private saving. It also prevented stabilization of prices, because producers, who had to count on increasing costs of production, were reluctant to part with their goods. To restore faith in the schilling strong measures were required.

454 Private savings must be encouraged owing to the country's
185 need of capital. The investment rate of the Marshall Aid years could certainly not be maintained, but in a highly competitive world Austria's industrial plant would have to be modernized and renewed, and hydro-electric development and the electrification of railways were vital to her future. International loans and foreign investment could be relied on to some extent, if conditions remained stable, but a high proportion of capital needs must be provided by the Austrian people themselves. In addition, the possibility of saving without loss would be an incentive to effort and increased efficiency.

185 Opinions differed as to the extent to which the consumer-goods industries had been neglected since the War, but there was general agreement that they deserved more attention in future. Austria's characteristic industrial asset is the quality, taste, and variety of her craftsmanship and the finished goods it produces. As the world returns to normal, the demand for these specifically Austrian products will grow and foreign countries' requirements of investment goods will be satisfied where they can be most cheaply produced.

Two further aims were subjects of considerable controversy: to economize drastically in State expenditure and to encourage competition in Austrian economic life.

On the one hand, it was maintained by the Right-Wing parties and the majority of professional economists that the budget should be rigidly examined and controlled, the whole administration overhauled, and the number of civil servants reduced. These measures, some held, should be combined with giving greater scope to the competitive elements in industry and reducing the influence of vested interests of all kinds. This last point of view was greatly stimulated by the issue in December 1951 of a Report by Mr. H. W. Johnstone

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of the Economics Division of the American High Commissioner's Office. This document, which was entitled 'The Restraint of Competition in the Austrian Economy', strongly criticized the various forms of restraint, such as cartels, political associations, and organized group interests, and recommended the education of public opinion on the merits of a competitive régime. 185

On the other hand, the Socialist Party, while accepting the need for economy and self-help, was opposed to any reduction in social services; preferred government, to private, investment; was more conscious of the evils than of the merits of competition, and stressed the dangers of unemployment rather than the dangers of renewed inflation.

In November 1951 Dr. Franz Nemschak, Director of the Austrian Institute for Economic Research, emphasized the significance of Austria's economic problems for the country as a whole, and recommended that in working out a solution the Government should take the advice of experts rather than allow themselves to be influenced by sectional interests. He deplored particularly the tendency for economic policy to be determined by considerations of party politics.

Dr. Nemschak's warnings and recommendation were justified. By giving full consideration to the views of independent experts, it might well have been possible to agree on an economic policy for the country. As has been seen, there was common acceptance of some of the main objectives, and on the controversial points a degree of compromise was possible. To aspire after the ideal expert solution, however, is a tendency characteristic of democracies and one that is almost invariably disappointed. The circumstances in which party considerations finally confused the issue were not free from an element of accident.

Members of the People's Party held the three key Ministries of Finance, Trade, and Agriculture. The second instalment of the Party's reorganization, following its defeat in the presidential election, took the form of replacing the three Ministers in question in January 1952. Dr. Kamitz, the new Finance 645 665

645 Minister, was a financial and economic expert who believed
665 that the budget could only be balanced satisfactorily by stringent economy in national expenditure. The new Minister of Trade, Herr Böck-Greisau, was an experienced industrialist, with a special interest in export problems, who believed in free enterprise, and shared Dr. Kamitz' view on the need for economy. Both men were convinced exponents of the new policy of self-reliance and self-help.

453 Before the end of 1951 the Coalition Government's efforts to establish financial stability had already met with success. To restrict credit expansion the bank-rate was raised from 3½ to 5 per cent on December the 6th, while the trade unions and the employers collaborated to keep prices down. During the
454 first four months of 1952 savings-bank deposits rose by 538 million schillings, compared with an increase of only 77 million schillings during the whole of 1951.

645 One reason why the People's Party appointed the new
665 Ministers was that it wished to strengthen its representation in the Cabinet. But it believed also that their policy was what Austria needed at the time. A natural result of its action, however, was that the policy tended to become a party issue, although it had virtually been started before the Cabinet changes took place.

645 The new Ministers were energetic and uncompromising in
65 carrying out the measures in which they believed. Within a
665 few months of his taking office Herr Böck-Greisau was with difficulty dissuaded from relinquishing his post on a question of principle. During the autumn party differences came to a head over Dr. Kamitz' proposals for an economy budget. The People's Party was mainly interested in a deflationary policy to maintain the value of the schilling. The Socialists wanted bigger expenditure on public works and new housing projects in order to keep up employment. No agreement could be reached, and so, as has been seen, the Government resigned. Pending the elections a temporary compromise budget was accepted by both sides.

65 Before the elections took place the new economic policy

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had achieved considerable success. The currency had been stabilized. Between December 1951 and December 1952 wholesale prices had dropped 6.4 per cent and the cost of living 1 per cent. With unimportant exceptions wages had remained constant. Total savings during 1952 amounted to over a billion schillings, compared to the 77 million in 1951. Although the gross national product only just kept up to the level for the previous year, the foreign trade position improved substantially. Figures available in February 1953 showed a drop in the balance-of-trade deficit from 4.3 billion schillings in 1951 to 3.1 billion in 1952, while the balance-of-payments deficit fell from \$176 million to \$100 million. 652

The Ministers of Trade and Finance deserved great credit for this achievement. But it must be remembered that they were members of a coalition government and that the policy of stabilization had begun before their appointment. Furthermore, the policy depended for its success on the voluntary action of both industrialists and trade unions in keeping down prices and wages.

During the election campaign a large measure of agreement on economic and financial policy was revealed between the Socialists and the People's Party, but the gap between the two points of view, which had made elections necessary, could not be closed entirely. The serious deterioration in the employment situation accentuated the differences on this vital issue. At the end of 1952 there were nearly 100,000 more unemployed than there had been in December 1951, and throughout 1952 the average number of unemployed had been 158,000, compared with 117,000 the previous year. 464 665

The deadlock that followed the elections and delayed the formation of a new Government for more than five weeks was proof of the stubbornness of the differences. The replacement of Figl by the industrialist Raab made it clear that a long-term compromise could not be expected: the Coalition survived, but for external, not for internal reasons. It was, nevertheless, encouraging that Austria's two main political parties should have 642 665

642 revealed such strong convictions about the country's economic
665 future. The contrast between this attitude and the listless in-
difference that was common in the immediate post-War
years was one practical indication of the achievement of
Marshall Aid.

VIII

Currency, Prices, and Wages

FOR those with no personal experience of rapid and uncontrolled inflation the full significance of the Austrian Government's post-War measures to regulate currency and prices is not easy to appreciate. The average Austrian found them complex and even mysterious, but he had no doubt about their importance. Between 1945 and 1951 the Government passed three major laws dealing with the currency and approved five agreements regulating wages, prices, and cost of living. Apart from their financial and economic results, these measures had considerable social and political implications. In fact, their effects on political life and society are likely to be the more lasting.

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Immediately after the liberation Austria was faced with two major financial problems: she had no national currency of her own and the banks were virtually empty. The need to establish an Austrian currency was urgent. The country was being flooded with German mark notes from Czechoslovakia and Hungary, where they were considered valueless, and the occupying Powers were temporarily printing their own money, which soon reached a total of about a billion schillings. Almost all the banks' cash had been removed by the Russians, and their main 'assets' were in the form of valueless German Government Bonds. It was for this reason that the Provisional Government was unable to pay any public servant more than 150 marks a month. It was only able to do as much because the Russians made available as a 'loan' 600 million marks taken very largely from the sums that they had seized.

The Government decided that it could take no steps to establish an Austrian currency until the country was united. But on the 3rd of July 1945 the so-called *Schaltergesetz*, or Counter Law, was passed, covering withdrawals from banks.

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652 This law amounted to a modified moratorium and was re-
454 stricted to the area occupied by the Russians, in which the
Provisional Government's authority was recognized. In the
Western zones monetary transactions remained free.

Holdings were to be divided into two categories, funds deposited before the 5th of July being known as 'old accounts' and those deposited from the 5th of July onwards becoming the 'new accounts'. The latter were to be completely free, whereas 60 per cent of the 'old accounts' were to be blocked, the remaining 40 per cent being available under certain conditions. If the need were proved, 150 marks a month could be drawn per household as a subsistence allowance from either the blocked or the unblocked portions of the 'old accounts'. So far as the unblocked 40 per cent were concerned, transfers between banks could be made without permission, and the money could be used with a permit for a number of essential purposes, such as payment of wages, salaries, rents, insurance premiums, and maintenance during sickness. With the Finance Ministry's special approval, funds from the blocked 60 per cent could be employed for particular projects, such as economic enterprises of urgent importance to the country.

Complaints were afterwards made that during the next two years the Ministry allowed too many releases of blocked funds and that certain favoured and influential individuals were able to utilize the whole of their 'old accounts'. A number of officials were accused of partiality and corruption in consequence.

The Counter Law catered for the poor by its provision of subsistence allowances. It also laid down conditions under which the well-informed and the ingenious could employ at least a proportion of their funds for their own purposes. Those who came off worst were the thrifty, the aged, and the lonely, who were dependent on their savings, were unacquainted with the details of the law, and were not fortunate enough to have active and altruistic advisers. This weakness is no doubt characteristic of most currency legislation. It was certainly common to the three main currency laws passed in post-War Austria.

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The recognition of the Provisional Government by the Western Allies in October 1945 and the elections in November cleared the way for the re-establishment of an Austrian national currency. On the 30th of November the interim Government, without waiting for the formation of the Figl Cabinet, announced its approval of a 'Schilling Law', and one of the first acts of the new Parliament on the 21st of December was to pass this measure. 652
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The law replaced the German mark and pfennig by the Austrian schilling and groschen at the rate of 1 for 1. All German currency except for denominations lower than ten marks was to be exchanged for the new Austrian schillings, and the same applied to the Allied Military Schillings which had been issued as a temporary currency. Everyone received 150 schillings in cash and the rest was credited to his account. Marks in lower denominations were exchanged for schillings during February and March 1946.

The second main purpose of the Schilling Law was, in general terms, to extend the provisions of the Counter Law from the area occupied by the Russians to the whole of Austria. The details were inevitably complicated owing to the different situations in each part of the country and owing to the decision to place in a separate category funds deposited between the 1st and the 22nd of December 1945. Roughly, however, the division of accounts continued into 60 per cent that was blocked and 40 per cent that was conditionally free, although minor alterations were made in the conditions under which the free funds could be used. Deposits made after the 22nd of December 1945 could be used without restriction. 652
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Some disappointment and bitterness were felt in Russian-occupied Austria that 60 per cent of the 'new accounts' were now blocked, as the people had been given to understand that deposits made on or after the 5th of July 1945 would be freely at their disposal. On this assumption, after the Counter Law was passed, the public had confidently continued to use the banks for their savings.

Subject to Allied supervision, the Schilling Law gave back to 652

652 Austria her financial independence. It also acted as a stimulus to trade and a check, though a purely temporary check, on inflationary tendencies. Dr. Renner has described how the legislation re-establishing the schilling lay for weeks in his drawer awaiting the re-unification of the country. So long as uncertainty regarding the currency continued, merchants preferred to hold on to their limited stocks of goods, and trade was restricted. So long as Austria continued to use German money, marks flowed across the frontier and prices were inflated. An immediate result of conversion was a substantial fall in the black-market prices of commodities and foreign currencies.

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454 The provisions of the Counter and Schilling Laws blocking 60 per cent of the 'old' and 'new accounts' were interim, in so far as no indication was given as to the final fate of the blocked credits. This question was settled by the Currency Protection Law of the 19th of November 1947.

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458 By the autumn of 1947 serious inflationary tendencies had begun to reveal themselves. There was a growing belief that currency reform was necessary, and rumours that it was imminent made the situation worse. Goods were hoarded, prices rose, and holders of capital showed anxiety to invest at any cost. In introducing the Currency Protection Law the Government's main purpose was to stabilize the schilling by reducing note circulation and finally liquidating the blocked accounts, from which there had been increasing demands for releases during recent months.

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454 The law in its full details was very complex. But its main provisions were as follows. The existing currency was to be replaced. Every individual could exchange his note-holdings on the basis of three old schillings for one new, although each person was allowed 150 schillings at the rate of 1 for 1. Blocked accounts were forfeited to the State, and the unblocked portions of the 'old accounts' were converted into 2 per cent Government bonds. All free accounts, which included deposits made between the 23rd of December 1945 and November 1947, retained their full value, but, in so far as they exceeded 1,000

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schillings, half of each account was to be blocked for six months, and a quarter for a further three months. 65
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Some attempt was made to distribute the burden in accordance with capacity to pay. Those in need were allowed to retain limited amounts from their blocked accounts up to a maximum of 3,500 schillings, and under this provision payments amounting to about 500 million schillings were in fact made in monthly instalments to 300,000 people. A capital levy was also announced, for which the necessary legislation was passed the following July. It imposed graduated taxes on capital and capital increment which were to be spread over a number of years. [651]

The essence of successful currency legislation is that it should be introduced unexpectedly and implemented immediately, so that no one should have time to take evasive action. Such procedure was not possible in Austria in 1947 owing to the provision of the Allied Control Agreement which laid down that laws went into effect, if not vetoed, thirty-one days after they had been submitted to the Allied Council. Nevertheless, the Austrian Government might have handled the situation with greater skill. In the end, it secured Soviet approval of the Defence Protection Law at the heavy price of accepting the Russians' terms for the settlement of their 1945 'loan'. With Allied consent the law then went into effect ten days ahead of the normal time. It would have been worth paying an even heavier price to obtain Russian approval in advance, so that the three weeks' delay between the publication and execution of the law could have been avoided. 652
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As it was, the situation during the three weeks' interval was grotesque, and the effectiveness of the law itself was seriously diminished. Evasive action was carried out on the widest scale, the most quick-witted and unscrupulous coming off best. Nobody was anxious to sell anything for money that was about to be devalued, and, in spite of Government regulations to the contrary, many shops could not be persuaded to remain open. People revealed a sudden enthusiasm for paying debts, and creditors could hardly refuse payment in a currency in 652

65- which the debts themselves had been incurred. The Government received payment not only for taxes that were already due but for taxes that were to be levied during the coming year, though it naturally gave notice that it could not accept payments in advance. The Austrians appreciated the comic side of the situation, but many realized that the comedy was being played at the expense of their country's interests. It was estimated that evasion and manipulation reduced the deflationary effect of the law by over a billion schillings.

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458 Apart from the way in which it was introduced, the Defence Protection Law was no final solution of the inflationary problem. It was not accompanied by the strong financial measures necessary to ensure financial stability and restore full confidence in the schilling. Little or no inducement was given to the Austrian people to resume the habit of saving. But in the winter of 1947-8 the time had not yet arrived for a more comprehensive settlement. Austria's political situation was uncertain; her economic position still precarious. It is probable that the law, though a half-measure, went as far as was reasonable at the time.

The immediate result was a decisive check to inflationary tendencies. On the 7th of November the note circulation and the free accounts at the National Bank amounted to 9 billion schillings in all. Immediately after the law went into effect the combined total had fallen to 5.6 billion schillings, and at the end of January it had only risen by 100 million schillings. For many Austrians the currency reform marked the beginning of real recovery, in spite of the financial sacrifices it had imposed. Goods became more plentiful and prices fell. By Easter 1948 new signs of hope could be seen in the faces of the long-suffering Viennese. The following October, less than ten months after the reform became effective, black-market food prices, which in November 1947 had been about twenty-three times as much as the official prices, were only three to five times as high. In the case of luxuries, such as cigarettes, the black-market and official prices were very close to each other. These developments brought new confidence and had a

stimulating effect upon trade. There is no doubt that the currency reform made a substantial contribution to the economic revival associated with the beginning of Marshall Aid. 652
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The social results of the reform were less fortunate. The law, as has been seen, made limited concessions to the needy, but they were of small help to many who were dependent on their savings and whose earning days were past. On the other hand, the treatment of the well-to-do was very uneven. The holders of large bank balances came off worst, while the owners of real estate and valuables, in spite of the capital levy, were more fortunate. The most unfair feature of all was that industrialists, who were in the best position to renew their wealth, could retain it most easily in the form of stored goods. When currency adjustments become necessary, they are always accompanied by injustice, and the results mentioned were, to some extent, the inevitable consequences of inflation. But more might have been done by the Government to help those least able to make their influence felt and to help themselves. 652

Throughout the years from 1945 and 1951 the Austrian economy was subject to persistent inflationary pressure. It was checked very temporarily by the Schilling Law and restrained for the best part of two years by the currency reform. But the forces making for inflation were never absent, and the political and economic climate was such that the Government did not consider itself in a position to attempt a fundamental cure. The schilling steadily lost value, until in 1951 it was worth about one-seventh of what it had been in 1945. The following table¹ shows the rise in the cost-of-living index between 1945 and 1951:— 458

1945 April	100.0
1946 April-December	125.7
1947 " "	248.1
1948 " "	378.0
1949 " "	484.3
1950 " "	547.7
1951 " "	700.1

¹ Prepared by the Austrian Institute of Economic Research.

458 Such conditions, combined with the hardships that have
435 already been described, carried with them the danger of serious
465 unrest, and it is fortunate that a method was worked out in
1947 by which wages as a whole could keep pace with the
steadily rising prices. The method, which was used each year
between 1947 and 1951, had its good and bad sides. On the
one hand, it contributed to the steady and controlled nature of
the inflationary process and ensured the harmonious settlement
of the wage question. On the other hand, after the first two
years, when its effects were predominantly good, it accentuated
inflationary tendencies.

The system involved the co-operation of the Government, the trade unions, and the Chambers of Industry, Agriculture, and Labour. The representatives of the employers and the employees in the Chambers and the trade unions worked out, in consultation with the Government, a general agreement covering the prices of basic necessities and the wages of the different classes of workers in all branches of the economy. The proposals were then submitted to Parliament for approval.

This procedure was only possible owing to the spirit of co-operation and conciliation called forth by the emergency. Austria would not have recovered as soon as she did from the post-War economic crisis had her revival been held back by serious industrial disputes, and the political consequences of such disputes would have endangered the country's unity. The Coalition Government fully realized the position, and its broad composition fitted it well for a mediatory role. The employers' representatives and the trade unions were also aware of the dangers. The common sense and intuition of the Austrian people led them to support their leaders.

467 The country was fortunate both in the organization of its trade unions and in the nature of their leadership at the time. The fact that the Austrian Federation of Trade Unions had been established on an all-party basis in 1945 was of decisive importance in the price-wage negotiations. It meant that in spite of the Socialist preponderance among union members every party was represented on the workers' side in the dis-

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cussions. Herr Johann Böhm, President of the Federation, revealed himself as one of the big personalities in post-War Austria. Like Ernest Bevin in war-time England, he combined loyalty to the workers whom he represented with breadth of outlook and courageous patriotism. 467

Between the spring of 1946 and the summer of 1947 wages followed prices upwards in a dangerous spiral movement, though they lagged slightly behind prices and were in reality still farther behind owing to the need to purchase food on the black market. Yet the prices charged for such public utilities as gas, electricity, and transport were below the level that production costs justified. And official food prices were unreasonably low, whether judged by world levels or by the cost of producing home-grown food. The two main purposes of the First Price-Wage Agreement were to check the spiral movement, which showed signs of getting out of control, and to make an adjustment in wages to allow for the higher food prices and public utility rates that were approved at the same time. 458
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The Agreement took effect on the 1st of August 1947. Food prices were raised on an average by 58 per cent, while the rise in public utility rates varied from 50 to over 100 per cent. Wage and salary increases varied considerably between different categories. But, on the whole, salaried employees obtained less than wage-earners, and skilled workers less than unskilled; that is to say, the poorer paid received the greater proportionate increases. In addition, on the 1st of August the Government decided on certain tax-relief measures for those with small incomes. This levelling tendency was a characteristic of all the Price-Wage Agreements except the last. It was justified as a protective measure, when the total supplies available to the Austrian people were scarcely sufficient to cover their basic needs. But it reduced incentive to workers to earn promotion to a higher wage category by their own efforts and became less defensible, as economic conditions improved. 435
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By the terms of the Agreement, individual trade unions renounced their right, while it lasted, to take independent action

435 to increase wages. But it was recognized that the Federation
465 of Trade Unions could terminate the Agreement, and demand
higher wages, if at any time the cost-of-living index should
rise more than 10 per cent above the wage-rate index. Actually
this state of affairs occurred within three months, but currency
reform was then imminent, and the trade unions decided to
continue the Agreement. In the end it lasted for just over a year
and performed a valuable service at a critical time.

When the year was over the cost of living had risen by an
additional 15 per cent, and the Government was anxious to
abolish some of its food subsidies, a procedure which would
have the effect of raising it still farther. There had, however,
been some progress towards economic recovery, and the
national income was rising. In order that wage rates should
keep pace with these two tendencies, the Second Price-Wage
Agreement was made in September 1948. Government sub-
sidies for meat, milk, and fats were removed. At the same
time wages and salaries were increased by 6 per cent. A flat-
rate food bonus of thirty-four schillings a month was given to
every employee by his employer, and a family allowance of
twenty-three schillings a month was paid for every child by
the State. The policy of equalizing incomes was much less
marked than in the First Agreement, but the introduction of
the flat-rate bonus carried the levelling process one step farther.

The Third Price-Wage Agreement of May 1949 was due to
the danger of a serious budget deficit. It was a much more
complicated measure than the first two and involved the
introduction of additional taxes and of an important piece of
social legislation.

Railway and tram fares, postal charges and the cost of gas and
electricity were all increased. Social insurance contributions
were raised and higher taxes imposed on income, capital, and
purchases. Government subsidies on coal, potatoes, and grain
were abolished.

[745] To gild the pill as far as possible and offset in some measure
the rise in living costs a series of concessions were made. An
adequate system of old-age pensions for workers was intro-
duced.

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duced. In place of the food bonus a flat-rate increase in wages and salaries of thirty groschen an hour or sixty schillings a month was introduced, on top of which there was to be a further $4\frac{1}{2}$ per cent rise. Children's allowances were to be raised to thirty-seven schillings a month. The combined effects of the increased taxes and the various concessions, on this occasion, were strongly levelling in tendency. Medium incomes were particularly hard hit, and in some cases net incomes were actually reduced at a time when the cost of living went up by at least 14 per cent. But nobody came off very well. Even in the case of the average worker's family the net rise in wages was little more than half the percentage increase in the cost of living. 465 435

The comprehensive nature of this Agreement and the fact that it was the third in three years suggested the danger that it was a device to which the Government might resort to solve all its financial problems. Certainly at this stage the economic disadvantages of the system began to outweigh the advantages. The Agreements regulated, but did not check, the inflationary process, and producers and consumers now began to reckon on rising prices. The habit of saving, which heavy taxation had already made almost impossible, was thus positively discouraged.

For a short period during the first half of 1950 prices began to fall, but with the outbreak of the Korean War in June rising prices again became a problem. There were two other reasons for the Fourth Price-Wage Agreement, which was approved in September 1950. In preparation for the end of Marshall Aid in 1952 the Economic Co-operation Administration wanted to remove the ERP subsidies on Austrian imports. Secondly, the farmers justifiably demanded that a higher price should be fixed for bread-grains, which were being sold at two and a half times the pre-War price, although the cost-of-living index was nearly five times as high as in 1938. The demand was not popular, as the farmers on the whole had suffered a good deal less than other sections of the community. But unless some adjustment were made there was no hope of increasing home

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435 production of bread-grain, and the farmers would continue to feed it to their animals.

The Agreement came into force on the 1st of October. ERP subsidies were reduced by more than a half, and higher prices were fixed for wheat, rye, and sugar-beet. To compensate for the increased cost of living, all wages and salaries were raised by 10 per cent, with a minimum rise of 100 schillings a month for the lower categories; pensioners received an extra fifty schillings a month and children's allowances went up to sixty schillings. This time special provisions were again made for the lowest-income groups, and it was intended that the main burden should fall on industry and the State.

The fifth and final Price-Wage Agreement was made in July 1951 and was one of the most comprehensive of the series.

In the first place, it carried a stage farther the programme of the previous Agreement. The new prices fixed for agricultural produce in 1950 were the result of a compromise and still did not prevent farmers from using bread-grains as feeding-stuff. Increases were approved in the prices of wheat, rye, and milk, and these in turn led to a rise in the cost of butter, cheese, and flour. ERP subsidies on imports were removed altogether. One of the general results of the Price-Wage Agreements had been to bring Austrian prices nearer to world price-levels. This process was not yet complete, but in future such subsidies as were retained were borne by the Austrian budget and were therefore in no danger of being taken for granted by the Government.

The Agreement raised the rates charged by most public utilities, including railway and tram fares, postal and telephone charges. Social insurance contributions were also increased.

As compensation for the higher cost of living, wages were raised by 10 per cent, with a minimum rise of 140 schillings a month. Children's allowances went up to 105 schillings, and pension rates were increased.

The slight levelling tendency of these adjustments was more than offset on this occasion by certain provisions of the Agreement, which attempted to restore in some measure the former

differentiation between wages and salaries that previous Agreements had progressively diminished. The increase rate for salaries at 12 per cent was slightly higher than that for wages. Furthermore, something was at last done for the long-suffering class of administrative Civil Servants, whose vital contribution to Austrian recovery had so far been rewarded only by measures discriminating against them. Their salaries were raised by rates varying from 28 to 58 per cent, with the highest increases going to the senior officers. But it must be remembered that these gross increases would be considerably reduced, especially at the higher levels, after taxation had been deducted. 465
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All the Price-Wage Agreements had one thing in common: they tried to redistribute an inadequate national income during a period of inflation and at the same time give rise to a minimum of discontent. But the fact remained that there was not enough to go round, even judged by the low standards of the difficult years between 1918 and 1945. Each of the Agreements achieved something of value, especially the first two, but each was a kind of conjuring trick in which the Government tried to make everyone happy when the conditions for material satisfaction were absent. The trick was never more than temporarily successful, and it grew stale with repetition. Furthermore, the audience, who had no alternative but to watch, began to take precautionary measures that progressively reduced the conjurer's chance of a successful performance.

This weakness became unmistakably clear during the months that followed the Fifth Agreement. The increase in salary and wage rates very soon led to an alarming rise in prices at a time when world prices had become comparatively steady. Between the outbreak of the Korean War and November 1951 the cost-of-living index in Austria rose by about 50 per cent, compared with about 11 per cent in England and Germany, 9 per cent in the United States, and 7 per cent in Switzerland. In fact the attempt made in the Fifth Price-Wage Agreement to combine the removal of subsidies with raising incomes all round simply did not make sense. The higher wages and salaries soon led to a further rise in prices, and within a few

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435 months the real incomes of most Austrians were slightly lower than they had been before the Agreement. Such a development was the inevitable result of the abolition of foreign subsidies, and no amount of conjuring could prevent it. The Agreement did, however, have the harmful effect on Austrian exports that has already been described and that could have been avoided.

This situation was part of the background against which many Austrians decided that the time had come for the Government to adopt a new economic policy and against which the new Ministers of Trade, Finance, and Agriculture took office. The only way for Austria to raise her standards of living, now that foreign aid was coming to an end, was to produce more and strengthen the competitive power of Austrian goods in world markets by increasing productivity.

Yet a final judgement on the Price-Wage Agreements cannot be reached if they are regarded from an economic standpoint only. Their social and political consequences were of no less importance.

On Austrian society as a whole the Agreements had both good and bad effects. Their general tendency to equalize incomes by a levelling-up process was reasonable in the circumstances. At a time of desperate national shortage something had to be done to ensure that the barest needs of the lowest-income groups were satisfied. So far as organized workers were concerned, this result was achieved. But there were other poorly paid categories whose needs were largely or entirely neglected, such as young professional men and women and retired civil servants with small pensions. In December 1948, after the first two Agreements, the incomes of unskilled industrial workers had risen by 350 per cent since April 1945, while the figures for retired civil servants varied between 51 and 114 per cent. These anomalies, together with the injustices resulting from the currency laws, were not only wrong in themselves but, on a long view, constituted a threat to the whole structure of Austrian society.

The political results of the Agreements can be assessed more

CURRENCY, PRICES, AND WAGES

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decisively. With all their faults, they ensured the smooth transition of the economy through an exceedingly difficult period. Production and the slow, laborious process of recovery were not held up by strikes. Nor were the opponents of true democracy in Austria given any encouragement to hope that Austrian workers would turn to totalitarian solutions through desperation. The relationship maintained by the Agreements between the cost-of-living index and the wage-rate index was a fiction, because basic necessities could not all be bought at the official prices on which the cost-of-living index was based. But in the circumstances it was a necessary fiction, and the workers were at least justified in their belief that the Government, the employers, and the trade unions were working together to achieve the justest solution possible. Perhaps most important of all, the Agreements were made possible owing to a sustained joint effort between Right and Left, between trade unions and employers, which was in marked contrast to the bitter hostility of pre-War years and was an educative experience of incalculable importance for the political future of the country.

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IX

Social Change

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565 **B**ETWEEN the two World Wars the whole structure of Austrian society was radically transformed. The social pyramid, culminating in the great aristocratic families and the Emperor, began to disintegrate when the Habsburg power collapsed and Austria, from being the centre of a great cosmopolitan Empire, became a poverty-stricken fragment struggling to make ends meet. The process of disintegration was completed by the post-War inflation and the economic crisis of 1930-1. When the Second World War broke out, the most glaring inequalities of the years before 1914, with the glamour and the squalor that accompanied them, had largely disappeared.

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466 During the period of transition a new social order was built up in Austria which was one of the most advanced and enlightened in the world. The origins of Austrian social legislation go back as far as the years 1882-8, when laws were passed regulating labour conditions and introducing compulsory insurance against accident and sickness for certain limited classes of industrial workers. This was followed during the first decade of the present century by measures establishing pensions for salaried employees on a contributory basis. On these foundations, after 1918, a whole series of laws was passed under the influence of Ferdinand Hanusch and Dr. Joseph Resch, the first Austrian Minister of Social Welfare. Subjects covered included unemployment insurance, holidays with pay, the extension of accident and sickness insurance, the eight-hour day, the abolition of night work for women and juveniles and of all work for children, and the introduction of Works Councils and factory inspectors. During the same period
362 Vienna was attracting world attention by its radical improvement of the housing conditions of its workers through the

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construction of great blocks of flats. By 1938 a social revolution had taken place, though it lacked the dramatic and catastrophic features that have made some less successful revolutions more famous. 362

Under the German occupation Austrian social legislation was replaced by the National-Socialist system. In spite of its authoritarian nature, this system had certain advantages. It included old-age pensions of a kind and much better provisions for agricultural workers. On the other hand, in many respects it was not up to the Austrian standard, and it shared the unreality common to most of the benefits bestowed by Hitler. The total reserves of the Austrian social insurance administration were taken over by the German Government and used for war purposes, so that in 1945, with nothing but worthless German bonds to their credit, the Austrians had to start again from the beginning. Only on the basis of funds provided by the Government was the revived Austrian Ministry of Social Welfare able to make any payments at all. 745

After 1945 the situation was too critical and the administrative problems too pressing for any restoration of the Austrian system of social insurance to be practicable. The public and the officials concerned were used to the German methods, and it would have been asking for trouble to add in any way that could be avoided to the almost intolerable burden already resting on the authorities. It was therefore decided to replace the authoritarian features of the German system by democratic methods and retain it for the time being. A modernized Austrian system of social legislation was to be introduced step by step, after the necessary preparatory work had been done.

Since the War a series of measures have been approved which have had the effect of filling the gaps in the imposing legislative structure built up after 1918 and of improving it in certain respects. In July 1947 a law was passed which greatly improved the conditions governing paid holidays for workers and brought them close to those applicable to salaried employees. Whereas previously two weeks were the maximum that a worker could obtain, the new law gave him the right to 466

466 three weeks' paid holiday after five years' service and a month after fifteen years. The Agricultural Labourers' Law of June 1948 extended to workers in agriculture and forestry the conditions and privileges assured to industrial workers by previous laws. This much-needed piece of legislation is one of the most important measures that have been passed since the War. It covered labour contracts, working hours, overtime, holidays, protection against accident, employment of women, inspection of working conditions, and workers' representation. As has 745 already been seen, the Third Price-Wage Agreement, in May 1949, introduced an adequate old-age pension scheme for workers for the first time. During the German occupation old-age pensions were covered by the Invalid Insurance, a classification typical of the National Socialist attitude towards old age. But the sum of forty marks a month paid under this system in 1945 was quite inadequate to cover the barest necessities. The new scheme provided for pensions of 282 schillings a month—a substantial improvement, even allowing for the devaluation of the schilling. This meant that wage-earners at last had a pension scheme comparable to that in force for salaried employees. A law passed one month later widened the scope of unemployment insurance to include certain categories that had previously been left out and did away with the means test for those in receipt of unemployment benefit.

466 The Works Council Law of March 1947 was of special significance, because it took a tentative step in the direction of the system that has since become well known in Germany as *Mitbestimmung*, or co-determination, by which the workers in certain industries actually take part in the management of the concern in which they are employed. The law of 1919, which set up the Austrian Works Councils, provided that they should concern themselves with the economic, social, and cultural interests of the workers and employees. The new measure laid down that a Works Council could make suggestions and recommendations to the management of an enterprise concerning efficiency and productivity, in the general interests of

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the enterprise and its employees. Its participation in management and administration was limited to an advisory role, but, in the event of its advice being disregarded, it could, in the case of larger concerns, appeal to a State Economic Commission to be set up by the Government. The law provided also that the Works Council should be consulted when workers were engaged, transferred, or given notice to leave, and made special provisions protecting the position of members of the Council. 466

In contrast to these impressive developments, there has been one post-War problem of vital importance which social legislation has failed to settle: the very serious shortage of housing. In Austria it is a problem of great complexity, which political controversy and party prejudice have so far rendered insoluble. The spirit of patriotic co-operation that has on the whole inspired the Coalition has proved inadequate to bridge the gap between Right and Left on this question. 362

Before 1914 the living conditions of a large number of city-dwellers were miserable and rents were high. This state of affairs led to the great Viennese building programme between the Wars and to the Rent Restrictions Act of 1922. Since the Act was passed, the majority of rents have been low, but Government controls, though sufficient to check private enterprise in building, have not been sufficient to prevent serious injustice. Between 1926 and 1946 the percentage of a tenant's expenditure devoted to rent, in dwellings covered by the Restriction Act, varied between 1.9 and 5.48, and in 1946 was 3.76, compared to over 17 per cent in 1914. On the other hand, there was a chronic shortage of housing, and the lot of tenants differed widely. Some rents were restricted, and some were not. In the case of restricted dwellings, a sub-tenant might have to pay a much higher rent; in some cases far more for a single room than the main tenant paid for the whole flat. From a new tenant a large lump sum might be demanded for the privilege of moving in, or proof required that he was a member of the dominant political party. These injustices were not confined to any one social class, and, in the circumstances, 427

362 it was most unfair that the building of new low-rent flats was heavily subsidized by taxation to which everyone contributed.

Under such uncertain conditions there was a strong tendency for those with good accommodation at a low rent to stay where they were at all costs. People whose place of work changed retained their dwellings at considerable sacrifice in tram-fares and wasted time. Ageing couples and widows remained in flats that were much too large for them, because anything smaller that was available might be more expensive. Such anomalies contributed to making the housing shortage worse.

The extent of the need is shown by the fact that Vienna required between 40,000 and 50,000 new dwellings after the War, in addition to the repairs necessary to the 150,000 that were damaged. The degree of overcrowding in the existing dwellings can be imagined when it is realized that over 73 per cent of them consist of only one room and a small kitchen and that 80 per cent have no separate lavatories.

Since the War large subsidies have been given to housing from public funds and Marshall Aid. But the expenditure has not been economical. Building contractors are not much concerned to keep down costs, when dealing with public authorities. The most substantial achievements, in proportion to the population, have been in Linz and Wiener Neustadt, two of the worst-damaged cities. Yet Austria's actual construction has not compared well with other countries. In 1950, for example, West Germany, in proportion to its population, built over four times as many dwellings as Austria.

The height of the Coalition Government's legislative achievement with regard to housing was the Rent Law and the Housing Law of September 1951, which bear all the marks of an unsatisfactory compromise. Rents were raised substantially, but on conditions that gave no incentive to private building, and substantial housing subsidies were to be provided by employers and the State as compensation.

A solution to the housing problem will not be easy to find. The prerequisites for doing so are clear thinking, political courage, and a willingness to face the issues objectively.

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Neither the present system nor reliance on free enterprise will be sufficient. But the following four principles might provide the basis for a successful policy: that private ownership of dwellings is no worse than any other form of private property, provided it is not abused; that such State controls over rents and housing as are necessary should be impartial, efficient, and complete; that private enterprise, including building societies, can make a valuable contribution to any building programme, and that the allocation of dwellings to the homeless on party grounds is an arbitrary and undemocratic abuse of political power. 362

Apart from this one failure, which has been tolerated owing to the low rents paid by the majority, the social services provided in post-War Austria have maintained a very high level. According to statistics prepared by the International Labour Organization, on the basis of 1949 figures, Austria devoted a higher percentage of her national income to social purposes than any other country, except the Saar and West Germany, where the high proportion of refugees made conditions exceptional. This state of affairs, together with the Price-Wage Agreements, has been responsible for the peaceful development of the country under the most difficult conditions and for the complete failure of Communism to make progress in a society which between the Wars had been strongly influenced by the doctrines of Marx. 157

A number of social changes can, however, be observed in post-War Austria, though in some cases it is not yet possible to see whether they are of permanent or temporary significance. 167

The most obvious of these was the influx of a large number of refugees and displaced persons and the absorption of a proportion of them into Austrian society. The temporary effects of their arrival, during the months immediately following the War, have already been considered. By the end of 1951 UNRRA and the International Refugee Organization, which took over this problem from UNRRA in 1947, had helped more than a million refugees and displaced persons

167 in Austria to find new homes abroad or to return to their own countries. More important for Austria's future were those who remained behind. By the end of 1951 citizenship had been granted to over 214,000 of them, of whom the great majority were German-speaking. That still left nearly 360,000 whose fate was undecided, though 60,000 had been granted residence permits, a necessary preliminary to obtaining citizenship.

The main burden of maintaining camps for displaced persons fell on the Austrian Government, in spite of a \$7 million grant from the International Refugee Organization. But the expense was offset from the beginning, when labour was short, by the contribution made to the national economy by the many who worked. The balance-sheet for those who became Austrian nationals must include political and cultural, as well as economic factors.

167 563 The new citizens have, on the whole, played a valuable part in the national life. Their decision to seek naturalization implied, in many cases, a desire to remain in Austria, and it was natural therefore that they should wish to make good in the country of their choice. A large number have found employment on the land and have thus helped to alleviate the serious shortage of agricultural man-power. Others, especially the Sudeten Germans from Czechoslovakia, are industrious and highly skilled workers, and their arrival has enabled Austria to inherit Czechoslovakia's reputation for fine glassware, successful glass factories having been established with Sudeten German labour in Salzburg and Upper Austria.

U Their political value to Austria is more questionable. The so-called *Volksdeutsche*, or Germans from Central and Eastern Europe, whose cause had, in many cases, been championed by Hitler, undoubtedly include a strong Nazi and ex-Nazi element, as well as exponents of the Greater Germany idea. The *Volksdeutsche* have not only produced disgruntled opponents of the Coalition: they have played a noticeable part in such industrial trouble as has occurred. On the other hand, it would be unfair to generalize. The experiences of some of them have brought final disillusionment both about National

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Socialism and German Imperialism. Most of the *Volksdeutsche* are not only of German stock but come from the Succession States, and therefore have traditional cultural links with Austria. If the Second Austrian Republic provides them with the homes they want and masters the main difficulties with which it is faced, they may yield willingly to its catalytic influence. 167 563

A most serious tendency that has become apparent in Austria since the War has been the steady transference of population from the country to the towns—the so-called flight from the land. Not only did the number of insured-agricultural workers drop by over 68,000 between 1937 and 1951. In June 1952 the Minister of Agriculture and Forestry pointed out that during 1950 on an average two farmers, five farmers' children, and sixteen labourers left their farms every day to seek work in the towns or in other branches of the economy. This indicated that the general trend was affecting the farmers and their families, as well as the paid workers. Moreover, the drop in the number of labourers would have been far worse had not over 60,000 refugees and displaced persons sought work on the land. 166

The significance of the tendency can only be appreciated in relation to the economic position of Austria as a whole. Even a highly industrialized State like England, with a record of great success in the past, is being compelled by world conditions to force up its food production. Austria has not the resources necessary to concentrate on industry, and in present circumstances cannot afford to allow any branch of its production to fall below its proved capacity. The loss of man-power can in some measure be counteracted still further by mechanization, but the possibilities in this direction are strictly limited in a country where the farms are small and the countryside mountainous.

Migration to the towns is a world phenomenon, and some of the causes of it are common to the many countries concerned: the glamour of city life, the more regular working hours, and above all the greater social opportunities that a

166 town offers. But there were a number of special reasons to which the post-War trend in Austria can be attributed. The comparative neglect of Austrian agriculture by the Nazis and the discriminatory nature of Austrian social legislation, before the Law of 1948 was passed, have already been mentioned. In addition, the accommodation provided for agricultural labourers was most unsatisfactory. On the majority of farms there were no dwellings at all for married workers, and the rooms provided for single men were frequently quite inadequate. Agricultural wages lagged far behind those paid in industry. At the end of 1948 they varied between 127 and 203 per cent above the 1945 level, while the wages of an unskilled industrial worker had risen 350 per cent. It is true that the farm worker had virtually no food problems and also received payments in kind, but the comparison with industry was a natural cause of discontent. Furthermore, the boom in building and construction work due to war damage and the large undertakings financed by ERP funds provided attractive opportunities of alternative employment, often near enough to agricultural areas to attract the labourers' notice.

645 The Ministry of Agriculture and Forestry realized the danger of the situation and evolved, somewhat tardily, a comprehensive programme to deal with it. The new Minister, Herr Thoma, who took office in January 1952, brought fresh energy to his department and issued a forceful memorandum on the subject the following summer.

466 The first important step taken was the Agricultural Labourers' Law of 1948. It did a great deal to raise morale and, by strengthening the workers' organization, ensured that their point of view would be heard. The establishment of Agricultural Workers' Chambers in most provinces contributed to the same result. The price increases for agricultural products approved by the Fourth and Fifth Price-Wage Agreements also improved the general situation.

362 Between 1947 and 1951 Government and ERP subsidies amounting to 55 million schillings were spent on agricultural housing, and 10,371 dwellings were completed, including

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3,013 married quarters. During the summer of 1952 further legislation was under consideration dealing with accommodation and technical training for agricultural workers. 362

The Ministry² also worked on a number of schemes in conjunction with the provinces and the Ministry of Social Welfare for helping displaced persons to settle on farms, inducing unemployed to work on the land, and persuading town-bred youths to give agriculture a trial. 464

As a result of all these efforts the flight from the land has been checked, though not stopped. Between November 1951 and November 1952 the number employed in agriculture and forestry fell by 6,500 compared with 9,400 the previous year. The fact that during the winter of 1952-3 there was a certain amount of unemployment on the land, due largely to increased mechanization, does not mean that the problem has ceased to be serious. Until agricultural production has at least regained the pre-War level, any further reduction in the number employed must remain a cause of great concern. It is a national problem which, like the drive to increase productivity, requires co-ordinated effort and a programme of public education for its solution. 464
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A less obvious but no less dangerous trend in Austrian society since the War has been the progressive deterioration of the economic position of certain sections of the community, limited in number, but of value and importance to the nation out of all proportion to their numerical strength. The categories in question are university professors, school teachers, the administrative ranks of the civil service, and certain highly qualified groups in industry and the professions. They differ widely from one another, but there are certain common causes of their depressed condition. 565

The different categories belong, on the whole, to the so-called middle class, with its tradition of thrift and careful conservation of possessions and its deep-seated reluctance to take part in any organized public complaint about its condition. Such private property as they or their families possessed, including personal articles of value, had very largely disappeared

XL i.e. the ministry of Agriculture and Forestry - Analyst

565 during the inflation and devaluation that followed the two Wars. But until quite recently their dislike of any organized protest remained.

During the whole series of Price-Wage Agreements, except the last, these people were discriminated against consistently. In the grave national emergency it was right that the better paid of them should be called on to make great sacrifices, though the process was carried too far, but in the case of the worse paid the discrimination was never just. The wage-earners were catered for adequately in the circumstances. The incomes of landowners and industrialists participated, in varying degrees, in the inflationary process, and their earning powers remained. But the categories in question suffered both from devaluation and State neglect. The situation therefore arose in which a young surgeon or research worker might receive a fraction of the income of a wage-earner of the same age whose hours of work were considerably less.

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465 The incomes of academic workers were so low by world standards that there was the strongest temptation for them to emigrate, and it was almost impossible to persuade foreign professors to fill Austrian chairs. At the end of 1951 the net salaries of Austrian professors varied between 3,489 schillings (\$163.34) a month¹ for the most senior and 1,866 schillings (\$87.31) for the lowest paid. The Privatdozent, or lecturer, member of a traditionally neglected class in Austrian and German universities, got no salary, but received lecture dues amounting on an average to 540 schillings (\$25.28) a year, which might just cover his tram-fares. The starting salary of school teachers in 1951 was less than three times the 1937 figure and the final salary less than twice the amount, which meant that the teacher's standard of living had fallen by more than 50 per cent since pre-War days.

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465 As regards administrative civil servants, in March 1951, before the Fifth Price-Wage Agreement, the increase in their net salaries since 1946 varied between 120 and 180 per cent,

¹ Calculated at the commercial rate of 21.36 schillings to the dollar. The foreign visitor to Austria normally obtains 26 schillings to the dollar.

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while the cost of living had risen during the same period by more than 400 per cent. This state of affairs applied not only to the top ranks, but to those with salaries of less than 1,000 schillings a month, who were therefore in lower-income groups than many wage-earners who had been adequately cared for by the Price-Wage Agreements. 64.7 465

Two examples will illustrate the position of certain highly qualified groups in industry and the professions.

The discrimination against some salaried industrial employees with most valuable technical qualifications has been carried to foolhardy lengths, especially in the nationalized industries, and has aroused the indignation of enlightened managers and directors, whose political opinions put their loyalty to the principle of nationalization beyond question. In one of Austria's greatest industrial enterprises the engineer in charge of the main productive process, who has saved the management millions of schillings a year by his technical knowledge and initiative, was earning less in 1952 than a number of his own labourers. Were such a man to emigrate even to Western Germany he could easily obtain many times his present salary. He is only prevented from doing so by patriotic sentiment, interest in his work, or sheer lack of money to cover the cost of moving. But Austria's need of such men is as great as any country's in the world. 465

A second example is provided by the case of the 'guest doctors' in Austrian hospitals. The title was given to newly-qualified doctors in need of experience, who were employed by hospitals without any remuneration. This form of exploitation was possible owing to the large number of medical students, but in the many cases where the 'guests' played an essential role in the running of the hospitals it was quite inexcusable. In 1947 there were several hundred 'guest doctors' in Vienna, and by the summer of 1951 the number had risen to 700. The salaries received by young doctors were at best very low, and as a result there was a tendency for some of the ablest of them to emigrate. The loss of outstanding talent in this way is especially damaging to a country whose capital in 759

759 the past has had a great reputation as a centre of medical studies.

During the last two or three years an increasing number of Austrians, belonging to both the main political parties, have become aware of the danger of these developments, and certain palliative measures have been taken on a piecemeal basis.

759 465 In 1950 the salaries of qualified medical assistants were raised from the miserable scale of 200 to 300 schillings (\$9.36 to \$14.04) a month to the still quite inadequate scale of 310 to 390 schillings a month, and very small extra payments were made for night work. In the summer of 1951, as a result of determined protests and a public demonstration by the 'guest doctors', the Minister of Finance agreed to fifty of them being taken on as paid medical assistants in Viennese hospitals.

875 465 University professors were given allowances for the purchase of books and certain minor concessions regarding taxation. Lecturers obtained research allowances of 165 schillings a month. And in connexion with the Universities of Vienna, Graz and Innsbruck special accommodation was built to relieve the housing shortage from which many professors were suffering. Since the War students' fees at Austrian universities have been extremely low and until recently averaged between 160 and 200 schillings a year. To increase the normal remuneration of the professors, the Government agreed in the autumn of 1952 that the fees should be trebled, and, in deference to the students' protests, undertook temporarily to bear the whole cost, until a final settlement could be negotiated for the following summer semester. Yet, in spite of these various measures, the net salary scale for professors at the beginning of 1953 ranged from 4,530 to 2,255 schillings (\$212.08 to \$105.57) a month. The net monthly salaries of school-teachers varied between 2,561 and 1,079 schillings (\$119.89 to \$50.51).

647 465 As has been seen, the Fifth Price-Wage Agreement improved the position of the administrative civil servants. By the summer of 1951 the cost of living had risen by over 470 per cent since 1946. The civil servants asked that their salaries

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should be brought up to 350 per cent above the 1946 level, but owing to the opposition of the Finance Ministry and the trade unions the increases they were given by the Agreement only amounted to a 270 per cent improvement on the 1946 figure and within a few months were largely offset by the substantial rise in prices that followed. The 12 per cent increases received under the Agreement by salaried employees in industry, compared to the 10 per cent increases given to wage-earners, made very little difference to their depressed condition. 647 465

In fact, although these various measures revealed a changing attitude on the part of the authorities towards the whole problem, they were quite insufficient to bring an end to the inherent dangers of the situation. Neglect of the economic position of civil servants and academics is a common disease of States in the twentieth century. But few States are suffering from it so seriously as Austria, and fewer still are so vulnerable to its effects. Austria is faced with complex and stubborn political problems. Her cultural and economic contribution to the world since 1918 has been based on quality, not quantity. It is therefore of vital importance to her future that her civil service should continue to attract men of great ability and that her high intellectual standards should be maintained. The pride and devotion of her public servants and academic class have been exemplary in recent years, but they cannot without deterioration stand up indefinitely to the inordinate strain that is being imposed on them. 010

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BAROQUE LANDSCAPE

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Cultural Revival

000 THE role Austria is best suited to play in Europe is that of a cultural Switzerland. Like Switzerland, Austria is a country of great natural beauty, ideally fitted to be a tourist centre. Like Switzerland, her interests and characteristics mark her out for a neutral part in international affairs. She is not powerful enough to exert much diplomatic influence; her natural resources are not sufficiently extensive to arouse the greed of her neighbours, and European stability would be greatly strengthened by the extension of the traditionally neutral area from Switzerland to the Hungarian frontier. But, without under-estimating the unique contribution of Switzerland to modern civilization, it is true to say that Austria in addition has something special of her own to offer to the world, and particularly to those who visit her, largely owing to her imperial history and great musical heritage.

The word 'culture', that is used perhaps too readily in America and too reluctantly in England, is not an entirely satisfactory term. It has a pretentious flavour and is commonly used in a narrower sense than the German word, 'Kultur'. Yet it is a word that cannot be avoided in attempting a general description of Austria. Anyone who has sensed the atmosphere of Vienna, seen the beauty of Salzburg's buildings and setting, and observed how baroque and Gothic architecture and the national dress of the people merge naturally into the Austrian landscape, knows something of the country's great civilized tradition. It is a tradition that the Austrians themselves tend to take for granted, but of which in a quiet and inoffensive way they are deeply proud. There could be no better proof of the strength of their pride and of their determination to maintain the tradition than the extent of the cultural revival in Austria since the War and the speed at which it has taken place.

CULTURAL REVIVAL

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Austrian cultural and intellectual life suffered great damage during the seven years of Hitler's occupation. The Nazi régime in Austria, as in Germany, was accompanied by systematic vandalism. Books were destroyed, teachers regimented, and intellectual effort discouraged amongst students. Certain kinds of art and music were banned, either owing to the race or nationality of the artist or composer, or because the style was classified as decadent. Musicians, authors, artists, and scholars were driven into exile owing to their race or political opinions. And finally the destructive process was completed during the last year of the War by bombs and gunfire. In addition to St. Stephen's Cathedral and the Burgtheater, the Vienna State Opera was almost completely destroyed. Schönbrunn, the Bevedere, the Albertina, the Schwarzenberg Palace, and the Museum of Art History were all damaged in varying degrees. A bomb fell through the dome of Salzburg Cathedral.

Furthermore, so cosmopolitan and receptive a people as the Austrians suffered severely from the intellectual isolation that the occupation and the War brought with them. Engaged in a struggle in which most of them did not believe, for the sake of a creed that most of them despised, the Austrian people were victims of cultural claustrophobia. In spite of the severe penalties for doing so, many of them listened regularly to foreign broadcasts throughout the War, and when the B.B.C. broadcasters in German visited Austria afterwards they were received like popular heroes.

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The Allied occupation helped to bring an end to the isolation in several ways. The presence of foreign troops contributed to this result, as the majority of soldiers from the West soon showed themselves to be friendly disposed towards Austria. The four occupying Powers also maintained efficient Information Services with the dual purpose of counteracting the effects of Nazi indoctrination and providing news and information about themselves and their ways of life. Each Power published a daily German newspaper in Vienna, ran a broadcasting service of its own, and set up libraries and reading-rooms in Vienna and its own zone.

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517 and its own zone. In addition, the occupation furthered the development between Austria and the Allies of the cultural diplomacy that has made such rapid progress in recent years. Leaders in this field were the French with their well-organized *Division des Affaires Culturelles* in the French Foreign Office. Its headquarters in Austria was the magnificent Lobkowitz Palace in Vienna, and a very active French Institute was also set up in Innsbruck. The British Council opened an office in Vienna towards the end of 1945, and later established branches in Graz, Klagenfurt, and Innsbruck. The Russians worked mainly through 'The Society for the Cultivation of Cultural and Economic Relations between Austria and the Soviet Union', which was started soon after the end of the War. While the Americans, though concentrating entirely on their Information Services at first, finally sent representatives of the Cultural Affairs Branch of the State Department to Austria.

The presence of foreign cultural organizations in their country stimulated the interest of Austrians in a form of diplomacy to which they are well suited by temperament and tradition. As will be seen, the French and British cultural representatives furthered the development of relations between Austria and their own countries in a wide variety of ways. But the Austrians, without any special organization of their own intended for the purpose, undertook a series of major ventures in cultural diplomacy which made a great impression in many European countries and in North America. A series of cultural conventions were also signed by the Austrian Government; with France in 1947, with Italy and Great Britain in the spring and autumn of 1952, and with Belgium early in 1953.

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727 The damage done by the Nazis to the Austrian educational system was a most serious threat to the country's future, because the damage was spiritual as well as material. A systematic attempt had been made to pervert the minds of teachers and pupils. Fortunately its effects were modified considerably by home influence and by the anti-Nazi convictions of many

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teachers, who were obliged in varying degree to conform outwardly to a system which they inwardly rejected. Nevertheless drastic measures were necessary to ensure that post-War Austrian education would develop on healthy lines. Nazi text-books had to be destroyed and convinced Nazis rigidly excluded from the teaching body. 871
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In 1945 Austrian schools were faced with four major problems of a material nature: shortage of accommodation due to destruction and damage; lack of text-books and other supplies; lack of teachers, and the physical condition of the pupils. In the whole of Austria, 95 schools were completely destroyed, 176 were heavily, and over 1,000 slightly damaged. In Vienna at the end of the War only 214 out of 421 school buildings were considered fit for use. In some cases at first it was necessary to give instruction in shifts to three classes a day in the same room. Even in the classrooms used there were often broken windows or damaged doors and, as fuel was scarcely obtainable, during the winter months the children, frequently ill-clad themselves, would sit and shiver through the period of instruction. The main reason for the shortage of teachers and text-books has just been given. To begin with there was also a serious shortage of such basic materials as paper, pencils, pens, and ink. It was difficult to find substitutes for the teachers who had been dismissed, because hundreds of thousands of young men were still prisoners of war. In Vienna immediately after the liberation there were only 2,400 teachers and directors [875] available out of the total of 5,500 that were required. The physical condition of the children was a problem owing to the acute shortage of food and clothing during the immediate post-War years.

In their efforts to overcome these difficulties the Austrian authorities were both hindered and helped by the Education Divisions of the four elements of the Allied Control Commission. It was no doubt irritating to have to submit many matters for approval by the occupying Powers, and in some cases—for example the question of text-books—inter-Allied differences of opinion led to unnecessary delays. On balance,

871 however, the part played by the Education Divisions was rather
 727 a help than a hindrance. They realized the vital importance of
 education in post-War Austria. There were problems, on
 which the Austrians were not always united, about which they
 could give valuable advice. Above all, they could offer very
 real assistance in obtaining the necessary materials for rebuilding
 and for producing the much-needed text-books.

The economic situation of the country made a quick solution of the accommodation problem impossible. By the end of 1949 it was estimated that about a quarter of the necessary funds had so far been made available and that the reconstruction programme could not be completed until 1958. However, strenuous efforts were made to relieve the serious overcrowding of 1945. By the beginning of 1952, 250 new school buildings had been erected, and many more had been repaired and re-equipped. During the following summer the new Minister of Education, Dr. Kolb, was able to express reasonable satisfaction with the progress of the primary and elementary schools, which are the responsibility of the provinces, the municipalities and the parishes, but had to admit that the condition of the secondary schools, which, like the Universities, are the financial responsibility of the State, was in some parts of the country, owing to lack of money, still very bad.

The urgent need for text-books was satisfied by emergency measures which produced impressive results. The Ministry of Education set up a 'Text-Book Commission' that worked in conjunction with the Association of School-book Publishers, the Allied Control Commission, and the Ministry of Trade, which arranged for the necessary supplies of paper and other materials. At the end of 1947, 4,212,000 copies of 118 different text-books had already been produced, and two years later 10,009,000 copies of 418 books. The centralization and standardization involved in this system have obvious disadvantages, but in the circumstances were justified by success.

875 The shortage of teachers was met in 1946 by employing students in their final year at teachers' training colleges as

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assistants. Subsequently the situation improved, as an increasing number of returned prisoners of war became available and some relaxation was allowed in the law excluding all former National Socialists from teaching. 875

The shortage of food was so general that the educational authorities were not in a position to make special arrangements for school-children, but, as has been seen, much was done for them by Swedish, Danish, and Swiss voluntary relief organizations. During the winters that immediately followed the War it was only possible to heat a proportion of the schools, the 'winter schools', as they came to be called; and then the already large classes doubled up or the shift system was intensified. The acute fuel shortage at the beginning of 1947 led to so-called 'coal holidays'. 871 727

The Allied cultural and educational organizations played an important part in breaking down the intellectual isolation from which the teachers had suffered so long and of which the best of them were acutely conscious. The French and British ran summer schools for teachers in Austria each year, which were also attended by teachers from France and England; and visits for Austrian teachers were arranged to England, France, Switzerland, and the United States. A limited number of Austrian school-children were also enabled to travel abroad. With the active co-operation of foreign countries, the Austrian Ministry of Education revived some of the schemes for exchanging teachers which had been in operation before the *Anschluss*. 878 875

Education is one of the subjects on which there are strongly felt differences between the People's Party and the Socialists. Since the War the differences have been accentuated by the fact that for more than five years Dr. Hurdes, the Minister of Education, was also General Secretary of the People's Party, and by the fact that the Vienna School Board was under Socialist control. The main subjects of difference are religious instruction, private schools, and the best method by which a ninth year could be added to the period of compulsory schooling. There is agreement on the principle of extending the 871 665

871 period of schooling, but party conflict prevents the necessary
665 law being passed.

In spite of this impasse, a great deal has been accomplished in Austrian schools since the War under most difficult conditions. Both parties have been agreed on the validity of three guiding principles which were to be emphasized in the new educational era, according to a directive issued in September 1945: Austrian patriotism (*Volks- und Staatsbewußtsein*), democracy, and humanity. Their experiences between 1938 and 1945 have brought home to Austrians the value of the first two principles more clearly than ever before. The third is deeply embedded in the Austrian nature and tradition.

874 Austria's three universities and her other institutions of
727 higher learning suffered some material damage during the War, especially the University of Vienna and the Technical Institutes at Vienna and Graz. Their work after the War was also severely hampered by the shortage of fuel and food. But the most serious problems that faced them were lack of staff and lack of money.

[875] Some of Austria's finest scholars had gone into exile during the German occupation. Of those that remained many of the younger had been called up for military service, and a number of the ablest and most influential were excluded from teaching as incriminated Nazis. Germans, who had been appointed to Austrian universities under Hitler, returned to Germany. Some of the gaps could be filled by bringing back professors who had been forced into retirement by the Nazis and had remained in Austria. But there were still many vacancies for which it was very difficult to find the right men. The younger generation of university teachers had suffered severely from the War, and it was rarely possible to persuade Austrian exiles, who had settled down happily in other countries, to return to Austria under the prevailing economic and political conditions and at the low salaries that were offered. For more than two years after the War, Vienna University was even unable to fill its chair of English.

Lack of funds not only kept down salary scales; it made it

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impossible to replace books and instruments that had been damaged and destroyed or to modernize equipment after years of neglect. Under such conditions serious research in many branches of science was impossible. To give one isolated example, in 1948 the Department of Astronomy at the Technical Institute in Vienna received a total monthly grant for books and equipment of 50 schillings—that is to say, \$2.00 to \$5.00, according to whether the black-market or official rate of exchange is taken. Such expensive new apparatus as was received by the universities and technical institutes often came, in one way or another, without payment from the United States. 874 727

In spite of these formidable obstacles, the war-weary and elderly professors set about the task of building up the academic life of their country with devotion and idealism. In the middle of April 1945, while fighting was still going on, members of the staff of Vienna University met together to consider what could be done to rebuild their university on true Austrian lines. Before the end of the month they had elected a Senate and Rector to take charge of the work of reconstruction.

There has been no lack of students since the War in Austrian universities. Young Austrians, including many ex-service-men, have been anxious and impatient to equip themselves for some useful and constructive occupation after years of war and misdirected effort. So it has come about that the student body has shown a considerable increase on the pre-War level and for several years has exceeded 20,000. In the winter term of 1950-1 it numbered over 22,000, which was 43 per cent above the 1937-8 figure. Austrian universities continue to attract hundreds of students each year from Eastern Europe, and the number of students from the West, including the United States, has been increasing.

Foreign cultural organizations in Austria have done what they can to help. French and British professors and lecturers have visited Austrian universities. Austrian scholars have been invited to England and France, and scholarships given to Austrian students for foreign study. Harvard University has 874 648

874 organized an international seminar in Max Reinhardt's mansion
648 near Salzburg, where American, Austrian, and other European
students have studied together. Most important of all, from
the point of view of its long-term effects, a large-scale and
stimulating exchange between Austrian and American uni-
versities has been made possible under the Fullbright Law.

The fact remains that academic work in Austria is being
carried on under great difficulties. Learning and scientific
research have always been dependent in some degree on wealth
and patronage, and in the present highly technical age this
applies more than ever before. Austria's universities and
technical institutes will only flourish again by international
standards when the country's economic position is stronger
than it is today or as a result of foreign endowments on a scale
that can hardly be expected.

874 In addition to its schools and universities, Austria before the
War had a very active adult education movement, which
reflected the social ideals of the First Republic. After the War
the difficulties in the way of restoring the vitality of the adult
education centres throughout the country were considerable.
They suffered from the same troubles as the universities and
schools: material damage, lack of fuel, and shortages of staff,
books, and supplies. Moreover, because they were voluntary,
they tended to come off worse under the exacting post-War
conditions, which made so many demands on people's energy
and resilience. So far as the public authorities were concerned,
the schools and universities had to have priority. Yet, after an
inevitably slow start, the idealistic drive behind the movement
asserted itself. During 1949 there were over 35,000 registra-
tions for courses at Vienna's adult education centres, which
compared favourably with pre-War figures, and the revival
was reflected in the provinces, where attendances increased
and new centres were founded. In Lower Austria an interest-
ing development took place at the suggestion of the Ministry
of Education. An association was founded to encourage co-
operation between all groups and organizations engaged in
adult education in the widest sense of the term, such as educa-

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tion centres, people's libraries, folk-song and folk-dancing clubs and art societies. The example was soon followed in a number of other provinces.

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An important part in the adult education movement was played by the so-called people's libraries, from which books could normally be borrowed without charge. Some were run by the villages and municipalities, some by the churches, some by trade unions, and others by political parties or voluntary associations. Their number rose within two years from a low level of 400 in 1945 to 1,257 in 1947.

The lack of books was one of the main cultural problems in post-War Austria. The intellectual isolation and severely restricted literary diet of the Nazi régime were followed by a period of dangerous uncertainty after Hitler's power had collapsed. A great deal would depend on how the mental and spiritual void was filled which had been left by the failure and exposure of the whole Nazi system.

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Austrian journalism rose bravely to the occasion, but in the early days Austria's own contribution to the solution of the problem was limited by economic dislocation, shortage of paper, and absence of the conditions conducive to creative effort. The Allied Information Services did a great deal, and two British organizations took the lead in remedying the lack of books. By an imaginative stroke Mr. Ernest Bevin gave orders for two aeroplane loads of English books to be flown over to Austria early in 1946. This enabled the British Council to hold a highly successful book exhibition in Vienna during March, as a result of which nearly all the 20,000 books were sold within a short time and a large number of additional orders were received by London publishers. The British Foreign Office and Treasury made arrangements by which the Austrians could buy the books with their own currency and the British publishers were paid in sterling. Henceforth the main restriction on the supply of English books in Austria was the limited numbers available in Britain itself, where the paper shortage was still acute. The following year the British Council organized six further book exhibitions in provincial

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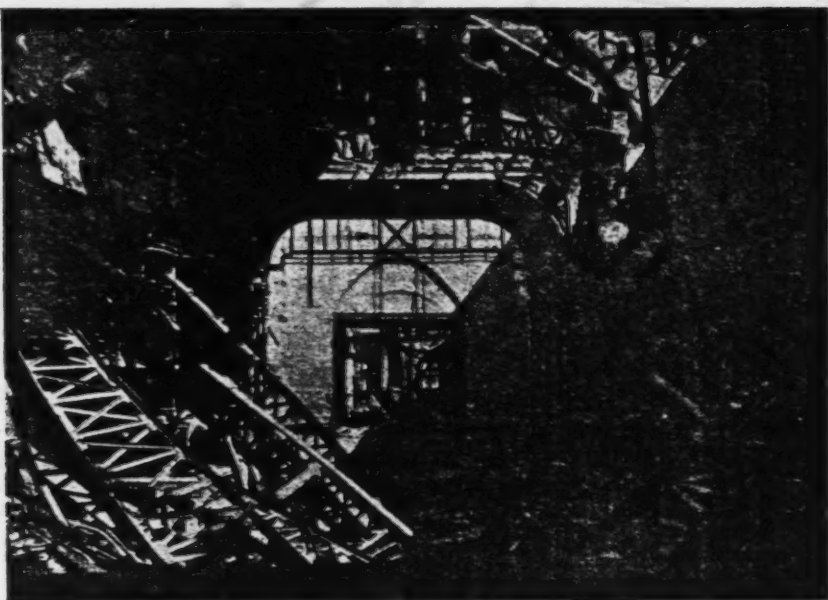
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648 centres, and thus extended to the whole country the opportunities already given to the capital. The British Information Services also made arrangements to print in Austria special cheap editions of a selected number of English books. As a result of these various efforts Austrians were given access to the Western ideas from which they had been cut off for more than seven years and were able to acquire some of the most modern medical and scientific text-books. The process of restoring normal intellectual contacts was carried one stage farther by gifts from the United States, Britain, and France to Austrian university libraries.

214 As conditions gradually improved, Austria's own book production revived, until in 1952, judged by the number of new works published, she had become one of the world's half-dozen leading book producers. For some years the revival was held back by a ban on the sale of books and periodicals between Austria and Western Germany, which greatly limited the potential market for books written in German, but this obstacle was finally overcome, and in 1952 representatives of the Austrian and West German book trade made arrangements to hold exhibitions in each other's territory.

517 The position of music, the theatre, and the arts in Austria is difficult for anyone to understand who has not lived in a country with a past tradition of lavish royal patronage. For the Austrian Republic has inherited the sense of responsibility towards the arts in the widest sense, which was first shown by the most enlightened and discriminating of the Habsburgs and maintained as part of the Imperial dignity by other members of the family.

545 The origins of the State Opera and the Burgtheater go back to the first half of the seventeenth century, when the earliest music dramas were performed in the Hofburg, and to the year 1776, when the Emperor Joseph II decreed that the theatre next to the Hofburg should become the 'German National Theatre'. During the second half of the nineteenth century the two institutions were given the magnificent new homes on the Ring which are still amongst the most impressive of

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THE VIENNA STATE OPERA IN 1945



THE VIENNA STATE OPERA IN 1952

[facing p 173]

545 Viennese buildings, in spite of the damage they have suffered. When the Empire fell, the significance for the Austrian people of the State Opera and the Burgtheater was shown by the fact that they were both taken over by the new State and that the poverty-stricken Austrian Republic provided them with the subsidies for which they had previously depended on Imperial patronage. That their significance has not declined is proved by their remarkable revival under the adverse conditions of the recent post-War years.

During the War performances continued in the State Opera and Burgtheater until the summer of 1944. Then on the 1st of September all theatres were closed owing to 'total war'. Except for those engaged in making films, actors were called up for military service, and actresses for work in factories.

Up till then the two buildings were intact. But the Burgtheater was destroyed by fire, after the Russians had entered Vienna, in circumstances that have been described. The Opera was hit by bombs on the 12th of March 1945, and after a fire lasting for three days was almost completely burnt out. It has been said that an American bomber was ordered to destroy the Vienna South Station and mistook the long roof of the Opera for it, but, if this story is true, it implies a standard of marksmanship rare in the bombing of cities.

True to Austria's strong theatrical and artistic traditions, a meeting took place in the Vienna Town Hall on the 23rd of April 1945, before the War had ended and before the Provisional Government had been formed, to discuss measures that should be taken to get the cultural life of the city going again. As regards the theatre and music it had remarkably quick results. There was still no street-lighting and no public transport. The streets were strewn with rubble, dead bodies, and the putrefying carcasses of horses. Yet actors and musicians, old and young, who lived in and near Vienna, came together at once to start rehearsals. The Burgtheater opened, on the 30th of April, in the borrowed Ronacher Theatre, with a performance of Grillparzer's 'Sappho'. On the 1st of May the State Opera gave Mozart's 'Marriage of Figaro' in the Volk-

545 soper, conducted by Joseph Krips, who had been banned from performing by the Nazis during the previous seven years. The famous theatre in the Josephstadt opened on the same day, and first performances followed in the German People's Theatre and the Academy Theatre on the 10th and 15th of May.

All this activity took place in face of great technical difficulties. Scenery and costumes often had to be improvised. Between two of the first performances of 'Nathan der Weise' by the Burgtheater the costumes were removed by Russian soldiers who were attracted by the rich colours, and substitutes had to be put together at the shortest notice. Performances began during the late afternoon, so that they would be over before dark. As the theatres were unheated, both audiences and actors were cold as well as underfed. In the case of Paul Hörbiger, who played the lead in Nestroy's 'Mädel aus der Vorstadt' for the Burgtheater soon after being released from prison, it was noticed that, though his humour was up to standard, his hair was still short. Those who attended the early performances by the Burgtheater agree that one of their most vivid memories is of the powerful stench that pervaded the theatre, though opinions differ as to whether it came from the corpses outside on the streets or from the disinfectant for which the theatre had been used as a store.

In spite of these conditions, performances at the opera and the theatre were sold out. Food, clothing, and cigarettes were scarcely obtainable, so the public spent their money on good entertainment. There is something characteristically Austrian about this state of affairs. Amidst political uncertainty, material destruction, and deprivation, actors and musicians gave their best with strong official encouragement, and the people left their cold, damaged homes and empty larders to enjoy the good things that life still had to offer.

As there was no hope of the State Opera and Burgtheater buildings being fit for use for some years, these two great institutions had to work out a method of existence that would see them through a long transitional period.

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The State Opera took over the Volksoper building from the Vienna municipality and the Theater an der Wien. The beautiful Redoutensaal in the Hofburg was also utilized for occasional performances. The Volksoper was used primarily for classical operettas, and the Theater an der Wien for the more serious works. The Theater an der Wien had limited seating capacity and a small foyer, but it had a large stage and was hallowed by great traditions. It was there that Beethoven had conducted the first performance of 'Fidelio' and some of the earliest performances of 'The Magic Flute' had taken place, as well as the first performances of operettas by Johann Strauss and Franz Lehar. 545

In addition to the destruction of its great home, the State Opera lost all its scenery and nearly all its costumes. To help in improvising for the early post-War productions, an appeal was issued to the public for costumes, irons, and electric-light bulbs. Old military searchlights that had been found lying about on the streets played their part in the stage lighting.

A year after the War ended the repertoire of the Opera was still restricted, but the musical standard was already very high, thanks largely to the devoted work of Joseph Krips, the conductor, and Dr. Egon Hilbert, who after seven years in concentration camps took over the direction of the Federal Theatre Administration at the beginning of 1946. The repertoire was gradually expanded, and the standard steadily improved, as more singers and conductors became available and international travel became easier. Judged by its own greatest days, the Vienna Opera since the War has been weakest on the production side. But its musical level has probably been the highest in the world, and its *ensemble* much superior to that in such great opera-houses as the Metropolitan and Covent Garden.

The Burgtheater has been handicapped by having to perform in the Ronacher Theatre, which was intended for variety shows and is much less suited to straight plays. But the management also had at its disposal the smaller Academy Theatre. The level of performance in both theatres has gradually

545 improved, and the Burgtheater since the War has been worthy of its great tradition. The varied achievements of the artistic and discriminating Theatre in the Josephstadt have also maintained a consistently high standard.

Vienna's concert life suffered much less than did the opera and the theatre. The two buildings which house the main concert halls were comparatively little damaged. By great good fortune the famous bodies of musicians known as the Vienna Philharmonic and the Vienna Symphony Orchestras, apart from the loss of a number of instruments, escaped practically unscathed.

The Philharmonic Orchestra's last concert in Vienna before the liberation was given on the 1st and 2nd of April, 1945, under Clemens Krauss. During the performances the audience could hear the sound of artillery in the distance. At such a time very few able-bodied men could obtain exemption from the Nazi *levée en masse*, and in March the members of the orchestra had been called up. Quite apart from the danger of death and disablement, this meant that they might be dispersed and that it might be difficult to bring them together again. In face of this emergency, as one member of the orchestra put it, 'a typically Viennese solution was found'. A certain good-natured major, on whom fell the responsibility of deciding their fate, turned the orchestra as a body into an ambulance company, and allocated them for duty to the Grosser Musikvereinsaal, their artistic home. Fritz Sedlak, one of the leading violinists, was put in command, as he had been an officer in the First World War, and by a great stroke of luck he could speak some Russian.

At no time in its history did the orchestra's corporate spirit reveal itself more strongly. The members decided to hold together at all costs, and about the 5th of April they took up quarters in the Grosser Musikvereinsaal, many of them accompanied by their wives and children, with their instruments and with such bedding and food supplies as they could collect. For ten days they lived in cellars, first under the Grosser Musikvereinsaal and later under the Burgtheater and

the fire-station in the square known as *Am Hof*. Some of their instruments were damaged or destroyed, when the Burg-theater was burnt, but on the whole members of the orchestra were fortunate to come through the ordeal as well as they did. 545

A day or two after they emerged plans for concerts were already being discussed. The Russian military authorities were anxious that the Philharmonic Orchestra should play as soon as possible. The first concert took place on the 27th of April, again under Clemens Krauss. The orchestra's appearance and performance were greeted with tremendous enthusiasm, partly out of thankfulness for its survival and partly because the restoration of Austria's own cultural life had begun. The programme consisted of Beethoven's *Leonora III* Overture, Schubert's *Unfinished Symphony*, and Tschaikowsky's *Fifth Symphony*. After seven years of Nazi music censorship one of the first comments of a leading Viennese music critic was 'At last, Tschaikowsky again!'

The first concert under Clemens Krauss had to be repeated several times, and during the first few weeks following the liberation the orchestra was called upon to give many performances, in addition to its work with the State Opera. Its concert experiences were similar to those of the opera and the theatres. The tickets were normally sold out, but the conditions were sometimes very difficult. During one concert the electric current failed, as it quite often did in those days, and the hall was left in complete darkness. The orchestra completed what it was playing from memory, and at the end of the piece one of the musicians remarked that he would be interested to know if the conductor had also continued to conduct.

Concerts had to be held in the Konzerthaus at first owing to minor damage to the roof of the *Grosser Musikvereinsaal* and to the presence of an unexploded shell in the organ gallery, but the most famous of Viennese concert halls had been repaired by October 1945, and in that month the *Gesellschaft der Musikfreunde* was able to give its first post-War concert there. Soon afterwards Vienna's concert life was again in full swing. Regular performances were given by the Philharmonic

545 and the Symphony Orchestras, and as the months went by the best of the 'implicated' Austrian and German conductors were allowed to perform again, and an increasing number of foreign musicians came to perform in Austria.

Some of the foreign musicians who have visited Austria since the War did so on the spontaneous invitation of the Austrians themselves. In other cases the visits were arranged through the mediation of the cultural organizations of the countries concerned. Amongst the outstanding groups of artists and musicians that have been to Vienna are the Comédie Française, the Paris Opera, the Sadler's Wells Ballet, and the Hallé Orchestra. Many of the finest conductors and soloists from Italy, Switzerland, France, England, the United States, and other countries have also performed in Austria. During the summer of 1945 a group of outstanding Russian dancers and musicians visited Vienna on the invitation of Dr. Renner, and were given a warm and appreciative welcome. Earlier in the year a Russian military band had aroused enthusiasm by playing Strauss waltzes on one of Vienna's main squares, and after a concert given by Russian troops early in May the newspaper *Neues Österreich* had written: 'The Germans could only occupy Vienna. The Russians, who freed Vienna, are beginning to conquer the hearts of the Viennese.' Unfortunately the Russians have since given up this wise method of winning Austrian favour and have resorted to cruder ways of asserting their influence. No doubt the judicious use of cultural methods by the Russians would further the growth of Communism in Austria, but it would be a form of Communism with which the whole Western world could have greater hope of making constructive contacts.

In the other direction the Austrian State Opera, the Vienna Philharmonic Orchestra, and the Vienna Boys' Choir have made a series of foreign tours which have won the gratitude and admiration of music-lovers in the countries they have visited. The opera has visited Italy, Switzerland, France, England, Holland, Belgium, and Western Germany. The Philharmonic Orchestra, in addition to the part it has played

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in the tours of the State Opera, had a touching and triumphant reunion with Bruno Walter at the Edinburgh Festival in 1947, and has also paid visits to London, Paris, Western Germany, and Switzerland. The Vienna Boys' Choir has made a number of tours in Europe, North and South America, and South Africa. The foreign tours of these three bodies have constituted a major effort in cultural diplomacy, and have brought home to many different countries something of the nature and extent of Austria's artistic contribution to the world. 545

Although Vienna's influence is dominant in the musical and artistic life of Austria, the provinces have shared in the cultural revival that has taken place since the War. In the first place, there has been a noticeable development in their normal musical and theatrical life, especially in the provincial capitals. The original stimulus came from the presence in the provinces of actors and musicians who for one reason or another had left Vienna or one of the larger German cities as a result of the War and post-War conditions. But its effects continued to be felt after most of the artists concerned had left. Secondly, the festival idea has been revived and expanded since the War ended. In Vienna itself, the *Konzerthausgesellschaft*, in 1947, organized an International Music Festival which was devoted mainly to modern music and has been repeated every year since, except in 1950. In Bregenz and Graz new developments of the idea have taken place, though the Graz Festival has not maintained the impetus given to it by the British occupation in 1946. In Eisenstadt and St. Florian—places closely associated with Haydn and Bruckner—special performances of the works of these two composers have been given, and during the summer and autumn of 1946, when post-War shortages were still at their worst, a series of concerts was arranged in St. Florian, Linz, and Vienna, in connexion with the fiftieth anniversary of Bruckner's death, at which all his major works were given fine performances. Most important of all was the restoration of Salzburg during its summer festival to its pre-War position as one of the world's great music centres.

There could scarcely be a more striking example of the

545 resilience of musical life in Austria than the fact that a festival was held in Salzburg in August 1945, even before the country had been reunited under the Provisional Government. This was primarily the achievement of the Salzburg Festival's venerable President, Heinrich Puthon, to whom has largely been due the restoration of its great tradition since the War. The American Occupation Forces also assisted generously with food, fuel, transport, and accommodation. The 1945 Festival was only a shadow of the festivals that preceded and followed it. But in the circumstances it was astonishing that anything could be organized at all. Most of the artists were collected from Salzburg itself and from the villages of the *Salzkammergut* where they were living in retreat. A production of Mozart's 'Die Entführung' was staged with an excellent cast; a series of concerts was given by the reinforced orchestra of the Mozarteum and by the Vienna Boys' Choir, and the famous serenades in the Riding-School were revived. The 1945 enterprise paved the way for succeeding festivals, which gradually climbed back to the pre-War level, as conditions in general improved.

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658 The restoration of musical and theatrical life in Austria was only possible with the aid of substantial Government subsidies, which imposed a heavy strain on the financial resources of the Second Republic. The theatre and concert boom that characterized the immediate post-War period was succeeded by a slump in 1948, when the black market and the currency reform had swallowed up savings, and more food and clothing were available. To defray part of the necessary expenditure the Government resorted to two special devices. A small extra charge was added to every cinema ticket, purchased, to be devoted to artistic and educational purposes. The greater part of the receipts went to the Provincial Governments, and the remainder to the Federal Ministry of Education. The Ministry imposed a levy for the same purpose on all owners of radio sets amounting to one month's radio licence fee. The fact that the Government imposed these taxes in support of art and education and that the public accepted them as a matter

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of course reveals the attitude of the Austrian people towards cultural matters. There are countries that pride themselves on their standards of civilization and enlightenment in which the authorities completely lack the Austrian Government's sure sense of comparative values in relation to different kinds of entertainment. 545
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The museums of Fine Arts in Austria had special need of support from public funds, because the buildings themselves had suffered more than their share of damage. Considerable expense was also involved in bringing back the State art treasures from the salt-mines in the *Salzkammergut*, where they had been concealed during the War, carrying out the repairs that were necessary, and rearranging them, first in temporary, and later in their permanent new quarters. 217

By great good fortune, the magnificent State Art Collection, apart from one or two minor losses, survived the War intact. With Allied help the works of art that had been removed to Germany by the Nazis were brought back to Vienna. Those that had been sent to the *Salzkammergut* were saved from destruction at the hands of fanatics by the courage and resource of members of the Resistance movement.

The museum authorities were therefore faced with the problem of what to do with an art collection for which there was no adequate accommodation. Decisions had to be made involving both temporary improvisation and well-thought-out plans for permanent reorganization. In these circumstances the Government decided to appoint a General Director of the State Art Collections to co-ordinate the planning. Its choice fell on Hofrat Dr. Alfred Stix, formerly Director of the Albertina and of the Museum of Art History, who had been forced into retirement by the Nazis as politically unreliable at the time of the *Anschluss*.

It was fortunate that Hofrat Stix had the necessary stature for the task that confronted him. For the decisions that he made, in addition to their immediate results, were likely to determine the main lines along which Austrian museums would develop for many years to come.

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While still in retirement the new General Director had been considering a comprehensive programme for the future of Austrian museums, and as early as August 1945 he informed the Government of the broad lines of his plan. He set himself three main objectives. First, the reorganization necessitated by the War provided an excellent opportunity to rectify some of the weaknesses in the past arrangement of the State collections. Stix advocated the creation of a special museum for Austrian art, in order to convey a clear impression of its character and quality. He also recommended assembling in one place the various examples of antique sculpture that had previously been scattered. Secondly, realizing that the restoration of the museum buildings would take a number of years, he considered it essential, after seven years of Nazi philistinism, to re-establish contact with the public after the least possible delay. He therefore made a number of concrete proposals for important temporary exhibitions selected from the State collections. Thirdly, he laid down the main principle on which he believed the management of Austrian museums should in future be based. Museum directors should not cater primarily for art historians and specialists, but should so arrange the exhibits as to attract the attention of the general public and help them to appreciate works of art for their own sake. In this connexion a comprehensive programme of lectures and conducted tours should be introduced for schools, factory workers, and casual museum visitors. Only in this way could the museums fulfil their true social function in the twentieth century.

Measures were soon taken to further the first and last of these objectives. It was decided that the Museum of Austrian Art should be housed in the Belvedere, Prince Eugene of Savoy's magnificent baroque palace, and, without waiting for the building repairs to be completed, a director of the new museum was appointed. Courses were organized for training museum guides and lecturers, and, pending the establishment of a special department for public education in the arts, which the General Director advocated, an official was put in charge of the educational activities of the State museums.

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As regards the organization of temporary exhibitions, the programme proposed by Hofrat Stix in August 1945 was received with scepticism by the American and British Monuments and Fine Arts Officers who came to Vienna as members of the Control Commission. They considered it madness to expect a people suffering from acute material want to attend art exhibitions in unheated galleries. But Stix's energy and optimism were justified. A whole series of exhibitions was arranged by the Albertina Gallery from its permanent collection of prints and drawings, the first of which, 'From Ingres to Cézanne', was opened in October 1945 literally amidst the ruins of the heavily damaged building. A lecture in French held during December in connexion with this exhibition was overcrowded, although the hall was entirely unheated. The exhibition was afterwards sent on tour to the provincial capitals. In November 1945 a large number of the State art treasures were brought back to Vienna with American help, and the following month an exhibition, consisting of eighty-nine of the best of them, was opened in the Hofburg by the United States Commander-in-Chief, General Mark Clark. As regards quality, this was one of the finest groups of paintings ever assembled in any country, representing as it did the choicest works of art from one of the world's greatest collections. It attracted large numbers of people to the bleak but stately rooms of the old Imperial Palace. The following year the outstanding exhibition amongst many consisted of Austrian works of art from the Middle Ages to the present, a foretaste of the new museum to be created in the Belvedere.

During the immediate post-War years, owing to the enterprise and receptiveness of the Austrian museum authorities, a whole series of foreign art exhibitions was held in Vienna and the provinces, the majority of them coming from France and England, due to the efforts of the *Division des Affaires Culturelles* and the British Council. In 1946 the big decision was made to send a large and representative exhibition of Austrian pictures and other art treasures to Switzerland. The next year it went on to Brussels, Amsterdam, and Copenhagen; and finally,

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543 after certain changes had been made in its composition, to England, the United States, and Canada. This was probably the greatest collection of works of art that has ever been sent on tour. Though no accurate assessment of its value can be made, it was estimated in the United States at \$80 million. In European countries the impression it left was complementary to that made by the visits of the State Opera and the Philharmonic Orchestra, and it extended to North America the field of Austria's most effective achievements in cultural diplomacy. It is arguable that no avoidable risks should be taken with the world's greatest works of art and that those who wish to see them must travel, but it was a most generous gesture on the part of the Austrian Government to share with other countries some of their finest art treasures during a period when they could not be adequately exhibited in Austria.

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346 The reconstruction of the actual museum buildings was not the responsibility of the museum authorities, but was carried out as part of the Government's programme for the restoration of public monuments and buildings. Remarkable progress was made with this programme within a comparatively few years. By 1952 the main repairs were either complete or far advanced in the case of Schönbrunn, the Belvedere, the Albertina, the Museum of Art History, and St. Stephen's and Salzburg Cathedrals, the work in some cases being finished a good deal earlier. Considerable progress had also been made in rebuilding the State Opera and the Burgtheater, though the opera was given priority and had the additional advantage of some Russian, as well as substantial ERP support.

It might well be considered that too much effort was put into the restoration of public buildings of a monumental character, in view of the acute housing shortage, and that the resources used should have been devoted to the construction of private dwellings. On the other hand, the labour and materials used for the two purposes were quite different. The vital tourist industry was stimulated by the rebuilding of the great public monuments. And the psychological effect on the

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Austrian people during a most trying period was of considerable value.

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In any case, these three considerations seem to have determined the policy of the Government. Even the stately but purely ornamental 'Gloriette' in the grounds of Schönbrunn Palace, which had been badly damaged, was rapidly put in order. In 1947 the main dome of the great monastery of Melk on the Danube in Lower Austria was destroyed by fire. The British Element of the Control Commission was unofficially approached for assistance in obtaining the large amount of copper required for its reconstruction. The reply was that part of the British Government's sterling grant had been used for the purchase of copper, that copper was also urgently needed in the manufacture of electric motors for export, and that the Austrian authorities must decide for themselves as to how their supplies should be used. Within a short time the necessary copper had been found somewhere, and the noble building had been beautifully restored by skilled local labour.

Any foreigners who are inclined to criticize these actions should consider their sentiments towards their own national monuments or towards any expensive features in their own countries' public life. In a materialistic age the jealous maintenance of traditional beauty and dignity cannot lightly be condemned as a fault.

Two of the major undertakings in the rebuilding programme were the restoration of St. Stephen's and Salzburg Cathedrals. Both operations were carried out under the same supervision, but with very different results.

The main dome of Salzburg Cathedral is the central architectural feature of the very beautiful city that lies at the foot of the Hohensalzburg, the imposing rock on which the Prince-Archbishops of Salzburg once lived in their great castle. Owing to a serious error of judgement during its reconstruction, the new dome has lost the symmetry and beauty of its lovely Early Baroque predecessor, and the whole architectural effect is thus marred. In terms of needlessly damaged beauty, there can have been few more costly mistakes in the whole history

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[Winkler, Wien 1

1952

ST. STEPHEN'S CATHEDRAL



1945

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346 of European architecture. Salzburg, indeed, is in urgent need of a strong and discriminating voluntary society to protect the wonderful heritage of natural and architectural beauty that belongs to the world and is too little cared for by the local authorities. For the injury to the cathedral is only one of a series of mistakes made since the War that have detracted from the city's pre-War charm. Only with difficulty has a project been quashed for erecting a large hotel in a position so prominent as to rival the magnificent dominance of the Hohensalzburg.

The restoration of St. Stephen's had happier results, although the work involved was on a much greater scale. The total cost amounted to 30 million schillings, and every province in Austria made itself responsible for some part of the reconstruction. Towards the end of 1948 the nave was reopened for public services, and by the spring of 1952 the choir was also ready for use. Though the aim of the restorers was to rebuild the cathedral, as far as possible as it had been before the fire, so far as the interior was concerned, this result could only be achieved within limits. The lovely old choir-stalls could not be replaced, and the atmosphere of the old St. Stephen's has gone for ever. But the new cathedral has a beauty and freshness of its own, and in its decorative details and general effect reveals the skill and devotion of the craftsmen and architects who were responsible for the restoration. Seen from the outside, St. Stephen's, with its fine old spire and high-pitched roof, remains the familiar centre of old Vienna, differing noticeably from the old building only in the vivid colouring of the new glazed roofing tiles.

346 The replacement of St. Stephen's great bell, known as the 'Pummerin', was the gift of the people of Upper Austria. The new bell was cast at St. Florian, and the 26th of April 1952, the day when it was brought to Vienna and the choir was reconsecrated, turned into a great public festival. Vast numbers of people turned out to see it as it passed slowly along the main road from Linz to the capital. Dr. Gleissner, the Governor of Upper Austria, handed it over to Cardinal Innitzer amidst

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346 demonstrations of great popular enthusiasm. The 'Pummerin' was dedicated to the Virgin Mary, and the inscription on it in Latin, 'To the Queen of Austria', had a significance for non-Catholics as well as Catholics. It symbolized the strength of spiritual values in a country whose cultural revival would not have been possible under conditions of great material hardship without strong faith in non-material ideals.

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XI

Negotiations for a Treaty

727 **B**Y the summer of 1952 Austria had been occupied longer by its 'liberators' than by the Nazis. This state of affairs came about as the result of a long process of delay and disingenuous diplomacy, and there has been a widespread tendency throughout the world to take it for granted as an inevitable concomitant of the situation in Germany. But the Austrian people had had every reason to suppose that their country would be in a very different position seven years after the War ended.

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648 By the Moscow Declaration of the 1st of November 1943 the Governments of the United Kingdom, the United States, and Soviet Russia agreed that Austria, as the first free country to fall a victim to Hitler's aggression, should be liberated from German domination, and announced that they wished to see a free and independent Austria re-established. Later in the month the Free French authorities at Algiers concurred with this declaration. At the Potsdam Conference in the summer of 1945 the three Powers also agreed that reparations should not be exacted from Austria. Yet the occupation has continued, and Austrian statesmen have complained with justice that their country has been treated as an ex-enemy rather than as a liberated victim. In fact, the lot of the ex-enemies has, on the whole, been preferable, because by 1952 peace treaties had been concluded with Italy, Hungary, Roumania, Bulgaria, and Japan. In a broadcast statement delivered in January 1952 Dr. Figl expressed himself in the following vivid but unexaggerated terms: 'When a criminal has served his term, he is allowed to go free. It has solemnly been declared, not only that we have committed no crime, but that we have fallen a victim to a criminal. And yet we have been deprived of our liberty.'

727 As has been seen, the Allied occupation has had certain direct

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and indirect advantages for Austria: it has saved her the expense of maintaining defence forces; it has brought home forcibly to the United States the extent of her economic needs, and it has produced political solidarity in face of the emergency. Yet Marshall Aid would in some measure have been forthcoming, and the lessons of the Coalition to some extent have been learned, had a treaty been signed in 1946. On the whole, the disadvantages of the occupation have greatly outweighed the advantages. Austria has carried the burden of occupation costs, and she has had to endure the wholesale exploitation of her oil and industry by the Russians. Above all, a liberty-loving people have had to submit to supervision and interference with their domestic affairs. The presence of the Western Allies has been appreciated in some degree as an antidote to the Russians. But even the most friendly disposed of foreigners can never really be welcome as members of an occupying force. Hotels and dwellings have been requisitioned by all four occupying Powers. Americans as well as Russians have caused trouble for the Vienna police by their propaganda. In the summer of 1952, after the United States had been strongly advocating Austrian independence for six years, considerable resentment was felt at American opposition to the Austrian Government's proposed political amnesty laws. It was quite reasonably considered that this attitude constituted unwarrantable interference in Austria's internal affairs. 727

As Austria was only involved in the War as part of Hitler's Empire, the treaty that is to restore her independence has, by general consent, always been described as the State Treaty, not the Peace Treaty. That is to say, no Peace Treaty is needed between the four occupying Powers and Austria, because a state of war has never existed between them. What is required is a State Treaty laying down the terms on which an independent Austrian State is to be reconstituted after its forcible extinction by Hitler. 728

The story of the negotiations to bring about such a treaty extends over the period from 1946 to the present time. It has been confused by the complexity of Russia's obstructive

728 technique, which successfully prevented a treaty from being signed, in spite of substantial concessions by the Western Allies, but was accompanied by constant protestations of goodwill as well as bitter accusations against Austria and the West. As a result, the negotiators had met 258 times by the spring of 1951 and were still as far as ever from their declared objective. For the sake of clarity, the negotiations will be considered in four rather arbitrarily defined phases. But before this is done it will be relevant to consider the Austrian part in the discussions leading up to the Italian Peace Treaty.

After the First World War, Italy was given the South Tyrol, including over 200,000 German-speaking inhabitants, as a reward for joining the alliance against Germany. The Germans in the province constituted a large majority of the total population, and its transference from Austria to Italy was therefore a flagrant breach of the principle of self-determination. The very principle which had led to the dismemberment of the Austro-Hungarian Empire should have prevented the separation of South Tyrol from the new Austrian Republic.

During the Second World War Italy had been Hitler's ally, while Austria had been a victim of German aggression. When the War ended, therefore, Austrians felt that the moment had arrived for an act of great international injustice to be rectified, and impressive all-party demonstrations for the return of South Tyrol were held in Vienna and every provincial capital. Austrian feelings were shared by many informed persons in other countries, including a number of enlightened and liberal-minded Italians. Sympathy for Austria's point of view was sufficiently strong for her Foreign Minister to be invited in August 1946 to present his country's case at the Paris Conference which was meeting to consider the Italian Peace Treaty. In spite of the inherent strength of the case, which was appreciated particularly by the French and British representatives, the conference decided against Austria, and South Tyrol remained Italian. Italy had a large Communist minority, and neither Russia nor the Western Powers were prepared to risk driving her into the opposite camp by alienating her sym-

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pathy. However, Austria and Italy were encouraged to make a separate agreement on South Tyrol, which was incorporated in the Italian Peace Treaty. 728

By the terms of the agreement that was reached on the 5th of September 1946 the equal rights before the law of the German-speaking and Italian-speaking peoples of the region were guaranteed, 'in order to protect the nationality and cultural and economic development of the German population'. The German-speaking inhabitants were also ensured education in their mother tongue and equality of treatment in appointment to public offices and in the use of their language in the public administration. The region was to be given a degree of legislative and administrative autonomy, and the discriminatory measures taken by Mussolini and Hitler against the German inhabitants were to be reversed. In addition, the two countries agreed to take steps to facilitate travel and intercourse between Italian South Tyrol, on the one hand, and Austrian North and East Tyrol, on the other.

Dr. Gruber has been criticized by some of his countrymen for acquiescing in the loss of South Tyrol and for making the Paris Agreement, without the whole matter being referred to the Austrian Parliament. But Austria was in a weak bargaining position in relation to the Powers represented at Paris, and he and the Austrian Government were probably wise to take the opportunity offered to ensure that a favourable settlement of the South Tyrol problem received international sanction by incorporation in the Italian Peace Treaty. On the Austrian side there has been some dissatisfaction with the political, as opposed to the cultural and economic results of the Paris Agreement, but on the whole it has worked out fairly well. Certainly the position of the German-speaking inhabitants is very much more satisfactory than it was at any time between the Wars, and there is hope for the future.

The discussions that resulted in the South Tyrol settlement took place during the negotiations leading to the Italian Peace Treaty and before the Austrian State Treaty had been placed on the Allied agenda. Nevertheless, the problem concerned

728 Austria quite as much as Italy, and the Paris Agreement was really an anticipation, in one field, of the Austrian Treaty.

The first phase in the negotiations for an Austrian State Treaty lasted until December 1947. It was characterized by delay and deadlock, and when it came to an end no real progress had been made, apart from the definition and clarification of differences. The diplomatic background to this period, which largely explains its negative character, was Russian disappointment with the result of the 1945 Austrian elections and Russian success in strengthening its hold on Central and Eastern Europe.

In May 1946, at a meeting of the Allied Foreign Ministers in Paris, the United Kingdom and the United States representatives declared themselves to be in favour of the immediate discussion of an Austrian treaty which would make it possible to bring an end to the occupation. Soviet Russia, however, was unwilling to proceed with the treaty until other outstanding matters had been settled. The following October Mr. Ernest Bevin said in the House of Commons that the British Government was disappointed that Soviet opposition was delaying the Austrian treaty, and would continue to take every possible opportunity to press for an early discussion of the subject. At the Foreign Ministers' Conference in December 1946 it was finally agreed that the Austrian treaty should be included on the agenda of the Moscow Conference that was to be held in March 1947 and that meanwhile preparatory work should be carried out by the Foreign Ministers' Deputies, who were to meet in London during January and February.

During the London meetings a draft treaty was prepared consisting of a preamble and fifty-nine articles, on about half of which there was unanimous agreement. On certain vital issues, however, there were wide differences of opinion, and these held up progress during the remainder of the year. The main problems were the Yugoslav claims to reparations and frontier revision and the question of German assets.

Yugoslavia claimed from Austria as reparations \$150 million and all Austrian property in Yugoslavia. She also demanded

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the cession of nearly 1,000 square miles of Southern Carinthia, including Klagenfurt, the provincial capital, and the important town of Villach, together with smaller areas of Southern Styria. The territorial claim was originally based on ethnic considerations, although a plebiscite held after the First World War had shown the area to be overwhelmingly Austrian in race and sympathy. The ethnic argument was later dropped and frontier rectification demanded as a reward for Yugoslavia's contribution to the War. Yugoslav claims were formidable, chiefly because they received strong Russian support.

At the Potsdam Conference it had been decided that Austria should pay no reparations, but it had been agreed that Germany's external assets should be used as part of her reparation payments. Soviet Russia had been assigned the German assets in the Soviet occupied zone of Austria. Disputes arose, however, over the meaning of the term 'German assets', which the Potsdam Agreement had left undefined. The Western Powers considered that only such property, rights, and interests should be considered German assets as had belonged to the German State or German nationals before the *Anschluss* or had been acquired since then on fair terms without any compulsion. But, in addition to assets in these categories, the Russians took possession of the Austrian State property that had been taken over by the German Government in 1938 and many enterprises which the owners had given up against their will or which had, like most of the oil-fields, been developed by the Germans during their occupation. The Russians refused to discuss their actions in detail and were intransigent on the question of principle. During the whole course of the treaty negotiations no agreement was ever reached between the two sides as to what constituted 'German assets'.

The Moscow Conference, which met on the 10th of March 1947, ended in complete failure, so far as the Austrian negotiations were concerned, on the 24th of April. The small Austrian delegation, which had been invited to attend, estimated that it spent 716 out of its 720 hours in Moscow in the rooms of its hotel. The negotiations were then handed over to a special

728 Austrian Treaty Commission which was set up by the four Powers in Vienna. It met eighty-four times between May and October 1947, and made no progress on the points under dispute. In fact, the disagreement on the question of German assets was intensified.

By this time Austrian patience was wearing thin. Dr. Gruber, the most outspoken member of the Government, had already described the Moscow Conference as a flagrant violation of Austrian interests, a contradiction of the Allies' own arguments, and had declared that his Government saw no moral justification for prolonging the occupation. During the autumn a number of Austrian statesmen, perhaps emboldened by the independent line their country had taken over the Marshall Plan, made a number of forthright speeches demanding the restoration of Austrian independence and sovereignty. The Four Powers decided that the Austrian problem should be considered again by the Conference of Foreign Ministers that was to meet in London in December.

The London Conference marked the beginning of the second phase in the treaty negotiations which lasted until the end of 1949 and led to a considerable measure of apparent success. Progress was facilitated by a French plan to break the deadlock, by the breach between Yugoslavia and Soviet Russia, and by the Austrian Government's desire to have a treaty at almost any price, provided Austria's full political independence was guaranteed.

The French proposals submitted to the Foreign Ministers in December 1947 accepted the fact that no agreement could be reached on the definition of German assets. They suggested instead that Russian claims to German assets should be given up in return for compensation. Russia would receive a lump sum in dollars from the Austrian Government and certain rights respecting Austrian oil production and the property of the Danube Shipping Company. The French plan was supported by Great Britain and the United States, and Russia indicated that it might be acceptable as a basis for discussion.

The new proposals and Russian counter-proposals were

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considered by the Foreign Ministers' Deputies who held meetings in London between February and May 1948. Some progress was made on the question of German assets, but in the end the negotiations were adjourned indefinitely, owing to Russia's continued support of Yugoslavia's territorial and financial claims against Austria. 728

At the request of the Austrian Government, the negotiations were resumed in February 1949, at first by the Deputies, and in May and June by the Foreign Ministers themselves. Further substantial progress was made, and on the 20th of June a statement was issued announcing the agreement of the Ministers on certain clauses of the treaty. It was also made known that the Deputies were to resume their work in order to reach a final agreement on the draft treaty as a whole not later than the 1st of September 1949.

The compromise decisions that were made during the Foreign Ministers' meetings in May and June really settled the main points of dispute between the two sides. Following Yugoslavia's expulsion from the Cominform in June 1948, relations between Marshall Tito and Soviet Russia deteriorated rapidly during the spring of 1949, and Russia withdrew her support for Yugoslav claims against Austria. The Four Powers agreed that Yugoslavia should be allowed to retain Austrian property on her territory and that the treaty should contain a clause requiring Austria to safeguard the rights of her Slovene and Croat minorities. As regards German assets, the Foreign Ministers agreed in detail on the compensation the Soviet Union was to receive in return for relinquishing her general claims. This settlement represented a compromise between the original French proposals and the Soviet counter-proposals. Austria was to pay the Soviet Union \$150 million in convertible currency by quarterly instalments spread over six years. The Soviet Union was also to receive 60 per cent of Austrian oil production for a period of thirty years, 60 per cent of the oil prospecting rights for eight years, and the former property of the Austrian Danube Shipping Company in Hungary, Roumania, Bulgaria, and Eastern Austria.

728 Dr. Gruber had been assured repeatedly by Soviet spokesmen that the last obstacle to the conclusion of the State Treaty would be removed as soon as the Soviet claims regarding German assets were satisfied. During the summer of 1949, therefore, hopes were high in Austria and the West that the treaty would be signed before the end of the year. The terms that had been agreed on were onerous and had been approved by the Western Powers only because the Austrian Government had made clear that it was prepared, if necessary, to accept heavy economic burdens in return for political freedom. Austria would have great difficulty in making the regular dollar payments to the Soviet Union and could hardly do so without help from the United States. However, the alternative of continued servitude and uncontrolled economic exploitation by Russia was worse.

The Deputy Foreign Ministers were unable to complete their task in the time allotted, but talks continued during the autumn, and by December agreement had almost been reached. A new deadlock then developed. The Soviet representative insisted on the satisfaction of claims for compensation put forward by the Soviet Union in respect of services and relief supplies furnished to Austria since the end of the War. This ended the hopeful and constructive phase of the negotiations.

The third phase lasted from December 1949 until the beginning of 1952. Throughout this period it became progressively clear that the Soviet Union had no intention of reaching an agreement, and in fact was determined, on one pretext or another, to prevent the signature of a State Treaty.

In the course of 1950 a whole series of Four-Power meetings took place at which the Austrian Treaty was discussed but no advance made towards the objective. To the claims for compensation for post-liberation services and supplies the Soviet representatives added accusations against Austria for violating the principles of denazification and demilitarization, and demands that discussions on the wholly irrelevant problem of Trieste should precede further consideration of the treaty.

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The various points raised by the Russian delegates had two things in common: they were intended to prevent progress, and they did not reveal the real reasons for Soviet obstruction. On the only occasion during 1951 when the representatives of the Four Powers dealt with Austria they decided to adjourn the discussions indefinitely. 728

The motives of Russia's obstructive tactics are a matter for conjecture. The draft Austrian Treaty provided for the withdrawal of all occupying forces within three months of ratification. The Peace Treaties with Roumania and Hungary lay down that Soviet troops in the two countries shall be withdrawn once there is no further need of them to guard the lines of communication with the army of occupation in Austria. It has therefore been suggested that Russia's main motive in delaying the Austrian Treaty is the desire to maintain military control of Hungary and Roumania. But, as Soviet political influence in those countries is so strong, this explanation is not entirely satisfactory. A more powerful reason for the Soviet attitude is probably the realization that once the occupation of Austria has come to an end Western influence in the country will be predominant. Russia wishes to maintain her present position by the most obvious means. Vienna still has great prestige in the Succession States, who have looked to her traditionally as a cultural and intellectual centre, and Russia's propaganda in Eastern Europe will suffer a setback if Vienna can no longer be represented as within its sphere of influence. It should be remembered that Soviet obstruction of the treaty negotiations was revived shortly after the Austrian elections of October 1949 had confirmed the crushing defeats suffered by the Communists in 1945. In addition, the occupation is a source of steady and considerable economic advantage to the Soviet Union.

The fourth phase of the treaty negotiations began in January 1952, and has not yet come to an end. It opened with a determined effort on the part of Britain, France, and the United States to get things going again. Both Austria and the Western Powers set out to make quite clear where the responsibility for

728 past failures lay and to mobilize world opinion in support of the Austrian case.

In September 1951, in a communiqué issued from Washington, the Foreign Ministers of the three Western Powers had announced their decision to make a new and resolute effort 'to fulfil the long-overdue pledge to the Austrian people'. At the meeting of the United Nations Assembly in November both Mr. Acheson and Mr. Eden had referred to the urgency of the Austrian problem. Action was finally taken when invitations were issued to a meeting of the Austrian Treaty Deputies to be held in London in January 1952. The Soviet Government made its participation dependent on Western willingness to discuss Trieste and alleged Austrian remilitarization, and the Soviet representative did not attend. The Western Powers therefore proceeded to draw up new proposals on their own.

The fresh proposals were forwarded to Moscow on the 13th of March 1952. They consisted of a new and abbreviated draft treaty accompanied by identical explanatory notes from the three Western Powers. The notes recalled that Austria had not yet received the full independence promised her by the Moscow Declaration nearly nine years before; stated that the responsibility for this state of affairs lay 'squarely on the Soviet Government' and that 'a heavy and unnecessary burden' had in consequence been placed on the Austrian people, and recommended the Soviet Government to give careful consideration to the new draft treaty, which contained the essentials required to re-establish Austrian independence. The draft treaty itself, in eight short articles, re-established Austria as a sovereign, independent, and democratic State, with the frontiers of January 1938, declared that no reparations should be exacted from her, and provided for the evacuation of Austria by the Allied forces within ninety days of the treaty coming into force and for the restoration to Austria by the Allies of all property 'of whatever description held or claimed by them as German assets or as war booty in Austria'.

The abbreviated draft treaty was significant for two main

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reasons. Its brevity and clarity left no doubt that its sole purpose was to restore the independence of Austria, in accordance with the terms of the Moscow Declaration: any Power that rejected it would have great difficulty in persuading public opinion inside and outside of Austria that it was really in favour of Austrian freedom. Secondly, the omission of clauses in the previous draft treaty relating to German assets implied that the Soviet Union, after three years of obstruction and continued economic exploitation of Eastern Austria, had forfeited its right to the very favourable terms previously conceded by the Western Powers.

Meanwhile the Austrian Government and people made their own attitude quite clear. At the opening of the Vienna Autumn Fair in 1951, Dr. Figl, in a typical phrase, described occupied Austria as standing 'in the centre of Europe as a sort of fossilized monument to the Second World War'. In February 1952 President Körner gave a dinner-party in Vienna to the Governors of all the Austrian provinces as a demonstration of Austrian unity and solidarity. The President spoke of the way in which the Austrian provinces had grown together organically during the previous six years. In his reply on behalf of the provinces, Dr. Gleissner of Upper Austria said that in future there must be no mention of Eastern Austria and Western Austria, but only of a single unified State. 'The zonal frontiers cut through the landscape,' he added, 'but they do not cut through our hearts.' Finally, on the 2nd of April, after a series of speeches protesting against the continuance of the occupation, the Austrian National Assembly passed the following resolution with the unanimous support of all parties except the Communists:—

'The National Assembly voices the deep-felt indignation of the Austrian people and protests anew against the continuation, in violation of international law, of the occupation of Austria by alien armies; against the maintenance of military jurisdiction in all zones of occupation; against the spoliation of economic resources and against the persistent interference of the Occupation Powers in the internal affairs of Austria. The

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[USIS, Vienna]

MR. DEAN ACHESON IN VIENNA WITH DR. GRUBER¹ AND MR. WALTER J. DONNELLY, AMERICAN AMBASSADOR, JUNE 1952

3 [Foreign Secretary — Analyst]

[facing p. 200]

728 National Assembly vehemently protests against the unlawful activities of Allied business enterprises within the Republic of Austria, which operate with a disregard for (Austrian) economic laws and which fail to pay Austrian taxes.

This national demonstration was followed by the passing of similar resolutions by all the provincial legislatures, which met in extraordinary sessions to express the Austrian people's desire for freedom.

The visits of Dr. Figl to Britain, the United States, and France in May 1952, and of Mr. Acheson and Mr. Eden to Vienna in June and September, were of significance in connexion with the treaty negotiations. The Chancellor obtained assurances from the three Western Foreign Ministers that Austria would not be forgotten during future international conferences, and Mr. Acheson and Mr. Eden, while they were in Vienna, expressed the deep concern of their Governments for the restoration of Austrian independence. Mr. Eden pointed out that he had himself signed the Moscow Declaration in 1943 and that it was the British Government which had raised the Austrian question at Moscow.

The Western Powers received no reply for five months from the Soviet Government to their proposals of the 13th of March, in spite of a reminder sent off on the 9th of May. Finally, after a further reminder, an answer was despatched on the 14th of August in which the abbreviated treaty was criticized because it did not 'guarantee democratic rights and freedoms to the Austrian people'. This was followed on the 29th of August by a violent attack on the Austrian Government from the Soviet High Commissioner in the Allied Council in Vienna. The Austrian constitution and administration were criticized as anti-democratic, bureaucratic, and reactionary, and the Austrian Government was accused of retaining 'hundreds of reactionary laws' introduced by the Hitler régime. There was no serious foundation for these accusations, which had obviously been thought out as a new method of playing for time. They were refuted in detail by the Austrian Government on the 11th of September. In reply

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to the Soviet note of the 14th of August, the Western Powers stated that in their opinion 'democratic rights and freedoms' were guaranteed by the Austrian constitution, but, to meet the Soviet objection, they were prepared to incorporate in the abbreviated draft treaty guarantees taken from the earlier draft treaty, which the Soviet Union had already approved. The Soviet Government was also invited to send a representative to a meeting in London on the 29th of September, at which it was proposed to resume consideration of the Austrian Treaty. No Soviet representative appeared, and in its answering note of the 27th of September the Soviet Government, in addition to dragging in such matters as denazification and Trieste, which had bedevilled previous negotiations, showed clearly its concern about the omission from the abbreviated treaty of the economic concessions made previously in its favour and its desire to return to the earlier draft.

The Austrian Government had meanwhile been proceeding with a plan of its own to bring its case before the United Nations. The idea went back as far as the summer of 1946, when, one month after the signature of the New Control Agreement, the Austrian Parliament had adopted unanimously a resolution asking permission to send a delegation to acquaint the United Nations with the position of the Austrian people. Following the stagnation of the treaty negotiations in 1950 and 1951, the plan was revived on a bigger scale, and during the first half of 1952 references by Austrian statesmen to a possible appeal to the United Nations became frequent. At the end of July the Austrian Government sent a well-documented memorandum to all countries that were members of the United Nations calling their attention to the injustice that was being done to Austria and asking them to use their good offices to persuade the four occupying Powers to evacuate Austria and restore its independence. At the same time Dr. Gruber was visiting Brazil, and a few weeks later it was announced that Brazil had decided to bring the question of the Austrian State Treaty before the General Assembly of the United Nations.

728 The Austrian case was submitted to the Political Committee of the General Assembly on the 17th of December 1952. The resolution introduced by the Brazilian delegate called upon the Governments concerned to renew the efforts that were so urgently needed to come to an agreement on the terms of an Austrian Treaty so that the occupation of Austria could be brought to an end and her full sovereignty restored. After a series of warm speeches in Austria's favour and none against her, forty-eight countries voted for the resolution in the Political Committee and later in the General Assembly itself, while no votes were cast in opposition.

The result was a considerable moral victory for Austria and represented a mobilization of world opinion in her support. The appeal to the United Nations was opposed by some friends of Austria as untimely and likely to prove ineffective. But, though no immediate practical results could be expected, such an impressive demonstration of sympathetic impatience was unquestionably preferable to silent acquiescence in the continued occupation.

It seems unlikely that agreement will be reached on an Austrian State Treaty until there is some kind of *détente* between Russia and the West. But Austria is a region where the two sides could come to an agreement without sacrificing any major interest or principle. It may be, therefore, that the Austrian genius for conciliation, which has always been favoured by geography, has its greatest victory ahead.

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XII

Russian Obstruction

AFTER the Four-Power compromise on the question of German assets in the spring of 1949 the responsibility for delaying agreement on the Austrian treaty lay clearly with the Soviet Union. Inside Austria also Soviet policy was the main obstacle to the country's progress towards political freedom and economic self-sufficiency. 727

The Control Agreement of June 1946 provided that negotiations for its revision were to begin within six months, and made quite clear by implication that the revision was intended to increase the Austrian Government's powers. Yet the Russian authorities soon left no doubt that they were not going to fulfil the spirit of the agreement and that they wanted in a number of respects to restrict the powers that had been granted. In fact, without the energy and persistence of Austrian leadership and the vigilance of the Western Powers even the measure of freedom already gained would not have been preserved. The difference of opinion between Russia and the West regarding the Austrian Government's authority has persisted ever since. The American High Commissioner's Report for the third quarter of 1950 pointed out that negotiations in the Allied Council were less concerned with helping Austria to self-sufficiency than with whether she should be allowed to retain the degree of sovereignty she had achieved.

One respect in which the Russians failed to fulfil their obligations was in their attitude towards the zonal boundaries. The agreement laid down that all controls over the movement of goods and persons within Austria should come to an end, except those prescribed by the Allied Council and those that were necessary in frontier areas for the effective regulation of international traffic. Soon afterwards the Americans and the British began the progressive relaxation of zonal controls, and

727 were later followed by the French. But the Russian authorities still maintain road and rail controls over their zonal boundaries at the present time.

More serious and insidious was the attempt made by the Soviet element to limit the authority of the Allied Control Commission and extend the clause of the Control Agreement which provided that agreements between the Austrian Government and one of the four occupying Powers did not require to be approved by the Allied Council. Had this attempt succeeded, the Austrian Government would have been subject in many matters, not to quadripartite supervision, but to the authority of a single occupying Power. The Soviet representatives cleverly raised the matter in connexion with a law passed by the Austrian Parliament in 1946, to implement a dollar credit agreement between Austria and the United States. The Quadripartite Finance Directorate unanimously recommended that the law should be approved by the Allied Council. But the Russian member of the Council took up the position that the Council could not discuss the question, and that the Austrian Government should be notified that agreements and legislative measures concerning one of the four Powers should not be submitted for consideration by the Allied Council. The three Western representatives fortunately saw the wider implications of this suggestion and insisted on the distinction between an agreement and legislation arising out of an agreement. All Austrian legislative measures, they maintained, had to be submitted to the Allied Council.

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205 There were a number of matters in which the Western Allies wished to alleviate the burdens and restrictions resting on the Austrian people and in which the Soviet authorities pursued a policy of complete or partial obstruction. As has been seen, the Russians refused to consider two proposals for reducing the occupying Forces put forward by the Western Powers. Postal communications between Austria and the rest of the world were progressively restored until December 1948, when letters were allowed to be sent to Japan, the last country on the list. But the Russians held up this process by opposition

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on such trifling matters as the categories of mail permitted, and at certain stages in the restoration of postal facilities with Germany and Japan 'printed matter' and registered letters became subjects of discussion between the High Commissioners. All four occupying Powers had broadcasting stations under their control, but the Russians, being in possession of RAVAG, the main Vienna station, could cause most inconvenience to the Austrians. In 1950 the Soviet authorities gave orders that the despatches of the Russian news service, known as TASS, were to be broadcast in full, as part of the Austrian news, without being attributed to their source. After a Communist official had punched the director of the Austrian news bureau on the nose, the Austrians maintained their right to do as they wished with their news broadcasts. During the same year a Western proposal that a Viennese television station should be approved was dropped owing to Soviet insistence on conditions that would have led to its falling under Soviet domination. The Russians also did all that they could to hinder the development of Austrian civil aviation, and a Department of Civil Aviation in the Austrian Government that was established with Western support in 1947 has been able to accomplish very little. On a higher level, the Soviet authorities consistently opposed Austria's applications to join the specialized agencies of the United Nations, and their efforts were only thwarted owing to Austrian determination and world-wide support for her membership.

On the two questions of censorship and the police the Soviet policy of obstruction was particularly stubborn. In the light of Russia's record in its satellite countries, the choice of these subjects for special treatment is a cause of no surprise.

The origin of the Allied censorship in Vienna goes back to the autumn of 1945, when a Quadripartite Signals Committee was formed to supervise such restrictions on civil communications as were necessary for security reasons, until the Austrian Government assumed normal responsibility. A quadripartite censorship was set up in the Schillerplatz in Vienna which controlled all telegrams and telephone calls between Austria

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727 and foreign countries and censored all foreign mail going in
206 and out of Vienna and the Russian zone. The committee laid
205 down that all communication developments undertaken
by the Austrian Post and Telegraph Administration required
the unanimous approval of all four occupying Powers, and
informed the administration at once that the construction
and allocation of communication lines between Vienna and
the outside world were subject to the unilateral agreement of
the Soviet Command. As these lines would all have to pass
through the Russian zone, this was a natural arrangement to
make in the days before there was a serious rift between Russia
and the West. Since that time the Soviet authorities have
consistently refused to give up the powers allotted to them in
these circumstances.

The Austrian Government has made numerous requests that
the Allied censorship restrictions shall be raised. These have
been supported by the Western Powers, who have abolished
censorship in their own zones. But the Soviet High Com-
missioner has refused to alter the existing system, and he even
suggested in 1948 that foreign mail for the whole of Austria
should be subject to centralized censorship in Vienna. A
Western proposal for the censorship of telephone calls near the
frontier was turned down. So the absurd system continues by
which a 10-kilometre call between Feldkirch in the Vorarlberg
and Buchs in Switzerland has to be routed through Vienna
over 500 kilometres away. On one occasion the Russians took
exception to a short technical telephone line in connexion with
a river power-station, on the grounds that one end was in
Austria and one in Germany, and maintained that all calls on
it should be diverted to Vienna for censorship.

The existing system gives the Soviet authorities a hold over
Austrian communications with abroad which they show no
sign of relinquishing. The Western Powers only take part in
it in order to prevent it coming entirely under Soviet control.
In June 1950 it was revealed that the Russians had their own
tapping arrangements in the Schillerplatz in addition to the
official quadripartite censorship, when a Soviet officer ill-

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advisedly came up from the basement to the switchboard to complain that he could not hear a certain international call that was in progress. During the same year the Russians ordered the disconnection of three transit telephone circuits between adjoining countries which pass through Austrian territory without connecting into the Austrian system. They also arbitrarily disconnected the Yugoslav Government's teleprinting station in Vienna.

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In December 1951 the Austrian Government's impatience with these proceedings caused the Chancellor to send a note to the Allied Council announcing the Government's intention to substitute the name 'Allied Censorship Agency', for 'Austrian Censorship Agency'. 'Censorship in Austria', he wrote, 'is exclusively performed according to the instructions of the occupying Powers. In no way does it serve Austrian interests. On the contrary, it runs counter to them.' The Government also announced its decision to dismiss all the 863 employees under contract with the Censorship Agency. Yet, in spite of this protest, the censorship continues. The Austrian Government defrays three-quarters of the cost. The work is still carried out by Austrians, who are mostly Communists chosen for the purpose by the Russians in 1945. And the cumbersome and wasteful procedure gives no satisfaction to anyone except the Soviet authorities and those for whom it provides employment.

In the months immediately following the liberation it was the clear intention of the Russian military leaders to establish control over the Austrian police. As many Communists as possible were introduced both into the ranks of the active police force and into the most responsible administrative positions. The effects of these efforts were still noticeable six years later. But Russian influence was checked when the Western Powers arrived in Vienna, and it ceased to be preponderant after the 1945 elections. From then on the object of Soviet policy was to limit both the numbers and efficiency of the police.

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The Austrian Government repeatedly asked the Allied

727 Council for permission to arm the police on an adequate and
625 uniform scale. Its requests were supported by the Western
Allies and turned down regularly by the Soviet Element.
Appeals for modern radio equipment met with a similar
response. The results were particularly serious owing to the
high incidence of violent crime after the War and the fact
that the criminals were aware of the deficiencies in police
equipment. In the autumn of 1948 the Soviet authorities
closed down four training-schools for *gendarmarie* in the
Russian zone and refused to allow the transfer of students to
other schools. When the matter was referred to the Allied
Council, the Soviet High Commissioner refused to discuss it
and justified his position on the ground that the Council had
failed to limit the size of the police. His attitude was echoed
by the Communists in the Austrian Parliament, who shortly
afterwards opposed budgetary provisions for strengthening the
police.

Supported by the Western Allies, the Austrians went quietly
ahead with reorganization and re-equipment. As the Allied
Council could not agree, the work was carried out on a zonal
basis, and the police in Austria as a whole soon reached a high
level of efficiency. In fact, the negative Russian behaviour
eliminated central restrictions as well as central aid. But there
has been no more revealing evidence of the Soviet Govern-
ment's attitude towards the Second Austrian Republic than
the changing policy of its representatives towards the police.

The Russian attacks on the Austrian Government, which
were made at convenient stages in the treaty negotiations,
were also useful to justify the Russian policy of obstruction
carried out within Austria. The Austrian denazification pro-
gramme was violently criticized, and as late as 1950 the Soviet
representative in the Allied Council demanded that the
Austrian Government should establish concentration camps for
the imprisonment of implicated Nazis. In April 1950 the
Soviet High Commissioner alleged that the Austrian *gendarmarie*
in the Western zones was being organized, armed and
equipped, in violation of existing Allied Council agreements,

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to provide a basis for a future Austrian army. In September of the following year this charge was repeated and expanded, when the High Commissioner stated that Austria's war industries were being re-established in the Western zones and that aeroplane plants and rocket factories were being built to serve Western re-armament. During his refutation of these charges the United States High Commissioner invited General Swiridow, his Soviet colleague, to come and see the imaginary installations for himself. The invitation was not accepted.

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All the forms of obstruction that have so far been mentioned related to the Allied Control Commission and affected the Austrian Federal Government. But Soviet political interference attracted most attention in the Russian zone and the Russian districts of Vienna.

It would be misleading and unfair to assume that the numerous and serious cases of interference that occurred were typical of day-to-day administration in the Russian zone. The whole atmosphere in Eastern Austria is different from that in the Western zones: more buildings are requisitioned, there are more troops, and there is an underlying feeling of uncertainty and insecurity. But Austrian and Allied officials, who have been in close touch with the Russian authorities, agree that on the whole they have adhered to their written agreements regarding the political administration of occupied Austria. Their relations with the police have normally been co-operative and correct. It is possible for an Austrian to live in the Russian zone, and for a foreigner to move about in it, and yet scarcely be aware of anything unusual in the situation. The local government is Austrian, and the laws enforced are the enactments of the Austrian Federal Government. The gloomy pictures of political conditions in the Russian zone that are often painted in foreign countries and the rest of Austria are due mainly to the Soviet Government's attitude towards Austrian independence, its record in Eastern Europe, and the excesses of Russian troops immediately after the War. The conditions are unpleasant compared with those in the free countries of the West and in Western Austria, but they

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727 are incomparably better than in Eastern Germany or in the Russian satellites behind the Iron Curtain. Although the Second Austrian Republic is subject to varying degrees of unwelcome supervision, it is a unit very largely under Austrian control.

The most blatant examples of interference in the Russian zone have been the many cases of arrest and kidnapping. The new Control Agreement provided that the Allies could take direct action to ensure the security of the occupying Forces. All four Powers took advantage of this provision, but, whereas the Western Allies did so to a limited extent and kept the Austrian authorities informed, the Russians carried out arrests on a wholesale scale, and often by arbitrary and secret methods. For example, in 1950, out of a total of 320 Allied arrests, there were 20 American, 7 British, 14 French, and 279 Russian. The next year the Western Allies arrested 28 people and the Russians 137. In 1951 the Chancellor complained that the Soviet authorities had instructed individual Austrian policemen to carry out arrests on their behalf and forbidden them to report their actions to their superiors. Such procedure, he pointed out, would lead to chaos in the police administration. On previous occasions, arrests had been made by Soviet troops, and neither the Austrian police nor the relatives of the victims had been informed. These methods reduced measures that might have been legitimate in themselves to the level of common abduction or kidnapping. The arrested persons in many cases simply disappeared, and no information could afterwards be obtained regarding their whereabouts. In 1951 State Secretary Graf of the Ministry of the Interior said that over 700 people had vanished in this way and that in only a few cases did their subsequent fate become known. Many of the victims were nationals of Soviet-dominated countries, whose right of asylum was thus violated. But the most sinister arrests were those in which the main motive was political intimidation. Outstanding amongst these were the cases of Inspector Marek, a senior official of the Ministry of the Interior, and a policeman named Kiridus, both of whom were arrested during the summer of 1948, apparently while them-

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selves conducting investigations into a recent series of kidnappings. The Austrian Government protested vigorously, and the matter was taken up a number of times by the Allied Council, but it was not until over three years later that the Soviet Foreign Ministry revealed that Marek was serving a twenty-five years' sentence in the Soviet Union for 'organizing espionage against Soviet occupation troops'. In 1948 Frau Dr. Ottlinger, an important official in the Ministry of Economic Planning, was actually arrested on the frontier between the Russian and American zones, while in the company of her Minister, Dr. Krauland.

Although Russian relations with the local police have generally been reasonable, there have been isolated exceptions to the rule.

The Soviet authorities could scarcely interfere with the measures taken by the Minister of the Interior to ensure the loyalty of the police as a whole, and early in September 1947 Dr. Duermayer, the Moscow-trained Communist chief of the Vienna State Police, was transferred to a similar office in Salzburg, where, in the heart of the American zone, he would be comparatively innocuous. Within six weeks the Police Chiefs of St. Pölten, Baden, and Wiener Neustadt, three of the most important towns in the Russian zone, were dismissed by the Soviet authorities on what the Austrian Government considered to be unsubstantiated grounds.

The worst cases of interference with the police occurred during and after the Communist attempt to organize a general strike in the autumn of 1950. The Soviet authorities forbade certain movements of police in Vienna and the Russian zone, and so hindered the re-establishment of law and order at a critical time. After the disturbances were over a number of police officials were dismissed or retired by the Austrian authorities for their behaviour during the crisis. The Russians ordered their reinstatement, and the tragi-comedy that ensued had not ended at the beginning of 1953. The police chiefs in two districts of Vienna were held in office by Russian orders and were at the same time treated as pensioners by the Austrian

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727 Police Headquarters which communicated with the District
625 Offices concerned through the Assistant Chiefs. There could be no better example of the curious division of authority in occupied Austria nor of the persistence of the Austrian Government in maintaining points of principle.

The systematic confiscation, during the Christmas holiday 1952, of the rubber truncheons belonging to the police in the Russian zone was a measure that might well have been prevented by the Soviet propaganda department. The justifiable annoyance that it caused was somewhat modified by the Austrian sense of humour.

727 As regards the political administration in the Russian zone, there was little open interference by the Soviet authorities except in minor matters. Cases in which local officials were arrested were not unknown, and town and village burgomasters were subject to the expressed or implied threats of Russian military commanders in the areas where they were stationed. But, on the two occasions when the Soviet authorities appeared to be contemplating interference on issues of major importance, they either thought better of it or received countermanding orders from above.

In the spring of 1950 the Russians expressed their disapproval of the provincial laws which provided for the holding of local elections in Lower Austria and Burgenland. Under the terms of the Control Agreement there was no reason why their disapproval should have any effect, and the Austrians proceeded to hold the elections. The voting took place without incident, and in the parishes, municipalities, and sectional chambers the Communists were crushingly defeated. In the parish and municipal elections in Lower Austria the Communists got less than 6 per cent of the votes, and all the Communist mayors that had been put in by the Russians in 1945 were replaced.

During the autumn of 1952, when the election campaign was beginning, the Minister of the Interior informed Parliament that Soviet officers had given orders to two different Austrian authorities banning the Union of Independents in the Russian zone. He added characteristically that he saw him-

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self 'compelled to instruct the Austrian authorities to ignore the orders'. Shortly afterwards the Minister's statement was denied by the Soviet Information Service, which explained that an officer at Soviet military headquarters had merely declared that Nazi and militarist propaganda would not be tolerated in the Russian zone. It appears that in face of a strong stand by the Austrian Government the Russians felt bound to respect the electoral procedure of a true democracy, different as it is from the parody to which they have themselves become accustomed.

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An irritating form of interference with Austria's political freedom was the Russian invitation to various Communist international organizations to hold meetings or establish headquarters in Vienna. The World Federation of Trade Unions was expelled from Paris by the French Government in April 1951. The following month it transferred its headquarters to the Russian-controlled Coburg Palace in the heart of Vienna. Later in the year the International Organization of Political Persecutees and the World Peace Council held meetings in the Austrian capital, and in the autumn of 1952 the World Peace Congress met there. These events took place against the wishes of the Austrian Government and people, and in October 1951 the Government declared the presence of the World Federation of Trade Unions to be illegal. But its efforts to expel the non-Austrian members were prevented by the fact that they were living in the Russian districts of Vienna or the Russian zone. The great majority of the Viennese revealed their feelings unmistakably by silently ignoring the demonstrations organized by the World Peace Congress.

In spite of the many examples of Russian political obstruction in Austria, both at the centre and in the Russian zone, their general effect did not compare in harmfulness with the diplomatic obstruction that delayed signature of a State Treaty. But economic interference was practised by the Soviet occupation authorities on a scale and with a ruthlessness that made it one of the two main debit items in the balance-sheet between Austria and the Soviet Union.

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During the period between the liberation and the Potsdam Conference, Russian troops carried out widespread looting, and the Soviet military authorities organized the systematic dismantling and confiscation of industrial equipment, vehicles, and rolling-stock. Vital installations like the Donawitz rolling-mill and the main turbines of the Vienna power stations were dismantled before the Potsdam decisions gave such actions a measure of legality. No exact figures can be given for the value of Soviet depredations, but the loss to the Austrian economy through confiscation of installations and equipment before and after Potsdam has been reasonably estimated at over \$200 million.

Since the Austrian electorate's first decisive vote against Communism the Soviet Government has, in a number of ways, deliberately hampered Austria's economic revival. Whatever may be the merits or demerits of nationalization in normal circumstances, the Government's nationalization programme was necessary, on the whole, under post-War conditions to co-ordinate industrial recovery. The nationalization laws were strongly opposed by the Soviet representative in the Allied Council, and have never been recognized by the Soviet authorities in their own zone. The Russian representative also violently attacked Austrian participation in the European Recovery Programme. Most revealing of all, in September 1946 a Soviet proposal came before the Allied Council to restrict Austrian production of various items for the next ten years. The proposal not only included armaments and strategically important materials, but recommended fixing the basis of industrial production at the level reached before the *Anschluss*.

The Soviet Government's main economic programme in Austria was the exploitation of her natural and industrial resources on the pretext of exacting reparations from Germany. This served the dual purpose of hindering the country's recovery and substantially benefiting the Soviet economy.

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As has been seen, the term 'German assets' which was used at Potsdam was vague, and the Four Powers never succeeded in agreeing on a definition. During the German occupation of

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Austria, apart from State property having been taken over by the German Government, most of the leading industrial enterprises had been absorbed in one way or another by the big German concerns. The absurdity of the situation resulting from Potsdam was made clear in May 1946, when a member of the National Assembly pointed out during a session that the Parliament building did not belong to the Austrian people, but was a 'German asset'. Dr. Renner summed up the position by saying: 'If all the concerns that were stolen or swindled from us by Germany are taken away, Austria will . . . be incapable of an independent economic existence.' More recently, in December 1951, Dr. Klaus, Governor of Salzburg, suggested that had Austria enjoyed the full income from the 'German assets' seized by the Russians it could have dispensed with Marshall Aid. The validity of historical 'ifs' can never be proved, but Austria's total losses to the Russians, including dismantling, evaded taxes, and the products of industry and the oil-fields, have been approximately equal to her gains from the United States under the European Recovery Programme.

The Austrian oil-fields were the largest single asset taken over by the Soviet Authorities.

Before the *Anschluss*, Austrian oil production was largely in the hands of two concerns financed by British and American capital: the 'Britol' Oil Company, later to become the Richard K. van Sickle Deep Drilling Enterprise, and a joint undertaking of the Shell and Vacuum groups, known as RAG. In 1938 a number of German companies entered the field and, in addition to undertaking extensive new developments, forcibly took over some of the oil-fields and refineries owned by British and American companies. As production rose from 32,849 tons in 1937 to 1,213,036 in 1944 under the stimulus of German effort, there was a *prima facie* case for the Austrian oil industry being largely a 'German asset'. On the other hand, human enterprise is only one element in oil production: the oil itself is at least as important. The fact that Germans had ruthlessly exploited Austrian oil to satisfy their war needs gave the Russians no right to confiscate one of Austria's most

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727 valuable natural resources under the pretence that it was
 382 German property.

471 The Austrian Nationalization Law of 1946 included the oil industry, but, so far as oil in the Russian zone was concerned, it never went into effect. In the summer of that year the Soviet High Commissioner announced that all the German-controlled oil-fields had been taken over as 'German assets'. The Soviet Mineral Oil Administration (SMOA) was set up to manage them.

The Soviet authorities did recognize British and American ownership of certain oil-fields and refineries that had not been taken over by the Germans. They are still under British and American management, but are subject to various measures of Soviet control. The producing companies are required to sell their crude oil to SMOA. The refining companies have to buy this oil from SMOA and resell to it the refined product. Payments are made to the British and American concerns in Austrian schillings, after the deduction by SMOA of arbitrary sums for administrative expenses. The disposal of the oil remains in Soviet hands, and the concerns are not able to export it, as they might wish. This limited recognition of foreign rights does not therefore benefit the Austrian trade balance in any way.

727 Exact statistics are not available for the Austrian oil industry
 382 since it has been under Soviet control. But it has been esti-
 433 mated by the best-informed authorities that production rose from 846,600 tons, to which it had declined in 1946, to about 3,200,000 tons in 1952, and is thus now probably the highest in Europe.¹ This increase indicates the anxiety of the Russians to extract all they can from the Austrian oil-fields while they have them under their control. The result has been achieved by extensive new boring and by the employment of damaging and uneconomic methods that would normally never be used.

It is significant that the expansion has practically been confined to the ex-German enterprises under purely Soviet control, which have had full freedom of action and exploration.

¹ Reliable figures for Roumania, its only possible rival, are not available.

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During the past few years the proportion of the total yield produced by British and American concerns fell from about 15 per cent to less than half that amount. It is even more significant that the 60 per cent of the oil-fields and the prospecting rights that the Soviet authorities suggested should be retained by them under the terms of the draft treaty of 1949 have proved, as was suspected at the time, to be by far the most productive and promising areas. Had the draft treaty been signed and the Soviet allocations accepted, the proportion of oil production now in Soviet hands, on the basis of 1952 figures, would have been 92 per cent instead of 60. The proportion of known oil reserves would have been even more favourable to the Russians.

Soon after the War ended the Russians suggested to the Provisional Government that Austria and the Soviet Union should share the installations and rights in the oil-fields on a 50-50 basis. Dr. Renner had the foresight to reject this offer, which would have given the Russians a permanent footing in the country and had serious political implications. But since then Austria, though so large an oil-producer, has not even been able to purchase from the Soviet Oil Administration enough petrol and other forms of oil from its own production to satisfy its modest needs. It has had to resort to imports from the United States, and on at least one occasion is said to have bought from Western Germany Zistersdorf oil sent by the Russians to Eastern Germany and then exchanged with Western Germany for industrial products. The quantity of oils allotted for home consumption has increased annually with total production since 1949. In 1951, for the first time, domestic needs were practically satisfied. But Austria during the whole post-War period has been allocated no more than about a third of her total oil production. The remainder has been sent eastwards by the Russians, chiefly to Czechoslovakia, East Germany, and Poland.

This state of affairs has of necessity been accepted by the Austrian people. But a welcome demonstration of impatience was given by the National Assembly when a resolution was

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382 passed by the People's Party, the Socialists, and the League of Independents, in November 1952 calling upon the Minister of Finance to enter into negotiations with the Soviet occupation authorities to ensure that Russia shall pay full compensation to the Austrian Republic for all petroleum removed from her oil-fields since 1945 and meet all its obligations with regard to taxes and customs dues, as required by Austrian law.

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471 The remainder of the enterprises, large and small, that have been seized by the Russians as so-called 'German assets' have been administered by one vast organization known as USIA—the initials of the Russian title meaning the Administration of Soviet Property in Austria. The Soviet authorities decided for themselves what they were going to take over as reparations and announced the list during the summer of 1946. The Soviet High Commissioner would allow no discussion of the subject in the Allied Council and made clear that he considered himself the only authority. As the Potsdam Conference had allotted German property in Eastern Austria to the Soviet Union without definition, the Western Powers had no alternative but to accept the decision.

The USIA concerns being entirely under Russian control, full information and statistics regarding their organization, production, and equipment are not available. But a fairly accurate general impression of their extent and method of working can be obtained from reliable sources. The Austrian Minister of Finance stated in Parliament in August 1951 that 471 USIA enterprises were listed with the Treasury, of which 351 were commercial, 100 agricultural, and 20 mixed or doubtful, and that altogether about 60,000 insured persons were employed in them. Since the War USIA has been the largest landholder in Austria. In 1951, a total of 115,980 hectares¹ of land were held by the occupying Powers for aerodromes, military purposes, agriculture, and forestry. Of this area no less than 112,747 hectares were in Russian hands. Some had been taken over soon after the War to produce food for the Soviet forces, and the remainder had been seized as 'German

¹ A hectare equals 2.471 acres.

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assets', although a good deal of it was Jewish property that had been 'aryanized' by Hitler. At the beginning of 1953, 54,000 hectares of agricultural and forest land alone were under USIA's control.

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The key positions in USIA have been concentrated increasingly in Soviet hands. In the central administration Russian influence is dominant, and the Austrians who remain in it are either technical experts or Communists. Until 1952 the head of the USIA selling organization was an Austrian, but he and his wife then escaped to France after a disagreement with the Soviet authorities. Two Russians thereupon became managing director and deputy. In the individual firms the management depends on the importance of the enterprise. Some are run entirely by the Russians, while others are under purely Austrian control. Between these two extremes there is every kind of mixed management. All accounting is done through the central administration, and, to maintain secrecy regarding USIA's affairs, every enterprise deals with the Soviet Military Bank, which was organized for the Russian zone of Austria with its head office in Vienna.

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Some USIA products are sold on the Austrian market. But the greater part of them are sent by rail or river to Soviet Russia and Eastern Europe. They are a dead loss to the Austrian economy, because no imports are received in return. The USIA concerns pay wage taxes and the ground tax levied by the local government authorities. But they do not pay income tax, profit tax, or the property tax due to the Federal Government. The Russians maintain that they do not pay these taxes because Austria will not transfer the titles of the USIA properties to them. The Austrian Government, backed by the Western Allies, does not recognize the Soviet right to the properties, and maintains that a legal transfer would be possible only if the companies were dissolved and the shareholders handed over the assets to the Soviet Union. The losses to Austria up to the end of 1952, in respect of USIA exports and unpaid taxes, have been estimated at nearly \$200 million and \$30 million respectively.

727 Austria's indirect losses owing to USIA's activities are also
471 very considerable. Raw materials and finished industrial
475 products go in and out of Austria as Soviet property without
payment of customs duties. Quite apart from the financial
loss this entails, USIA exports are thus able to undercut
Austria's legitimate industries in East European markets. At
the same time the equipment and efficiency of USIA factories
are gradually being allowed to deteriorate, as little or no
attempt is being made to renew and modernize plant. When
the concerns are eventually returned to Austrian ownership
their value will be much lower than it was when they were
taken over.

A most damaging and sinister aspect of USIA's work has
been its entry into retail trade during the past few years. At an
early stage USIA imported cigarettes from South-east Europe
without payment of duty, and sold them in large quantities
on the black market at the expense of the Austrian exchequer.
This was followed by the establishment of retail shops in
Vienna and the Russian zone. Two hundred of them were
opened between the summer of 1950 and the summer of 1952.
Like other USIA concerns, they pay only a proportion of the
federal and local taxes due from them. In addition, they pay no
customs, excise, licence dues, or monopoly taxes on the goods
sold, and are thus able to undercut legitimate retail businesses
and at the same time make a good profit. The Government
makes every effort to discourage people from patronizing
them, but the low prices are a temptation difficult for the poor
to resist. The shops also are varied and inconspicuous in
character, and many purchases are made in them without the
customers knowing what they are doing.

In contrast to the enterprises taken over as 'German assets',
the establishment of the USIA retail shops had no legal justifi-
cation whatever. There can have been only two motives for
setting them up: a deliberate attempt to undermine the
Austrian economy and a desire to make profits at Austria's
expense, in particular, to offset losses on inefficient manage-
ment in the main USIA concerns.

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Austrian political leaders have attacked the USIA retail businesses repeatedly. The Minister of Justice has made clear that Austrians found guilty of evading customs and excise by dealing with USIA will be punishable under Austrian law. The Soviet authorities themselves have shown some signs of embarrassment at this branch of their activities. After the first two years its expansion slowed down considerably. A strong trade union protest against USIA shops remaining open until ten o'clock at night was followed by their compliance with normal closing hours.

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In fact, Soviet policy in Austria, in spite of its ruthless economic exploitation of the country, has shown repeatedly a capacity for compromise and the unexpected conciliatory gesture. The Austrian Government has been firm, bold, and insistent in the assertion of its rights, and the Soviet authorities have shown themselves to be very sensitive to public criticism, especially on issues in which popular privileges have been involved. In spite of everything, the impression remains that the Soviet Government has never entirely forgotten the importance of considering its reputation with the Austrian people.

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On the economic side, the best example of the flexibility of Soviet policy is provided by the attitude of the Russians towards the navigation of the Danube.

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The importance of the Danube to Austria as a means of communication requires no emphasis. Between the Wars the ownership of the Danube Shipping Company, the largest concern engaged in Danube traffic, was shared between the Federal Government, the Credit Anstalt Bank, and various Italian interests, the majority of the shares being held in Austria. As the Austrian holdings came under German control during the War, in February 1946 the Soviet authorities assumed ownership of the company, and at the same time took possession of two smaller companies. The Western Powers pointed out that these assets were of doubtful ownership and that the companies operated in more than one zone. They maintained therefore that the whole subject should be

727 considered in the Allied Council. But the Soviet representative
505 refused to discuss the matter, and the Russians proceeded to
471 take over all the property and installations of the Danube
Shipping Company in Eastern Austria and South-east Europe.

727 During the fighting in Austria the greater part of the
505 company's shipping was destroyed, but about 40 per cent of it
managed to reach Linz, mostly in very poor condition. There
it remained under American protection, and during the early
post-War years the company concentrated on putting the
remnant of its fleet in order. Owing to the Russian attitude,
river traffic ceased between Upper Austria and Vienna, and
such ships as were available were employed on the stretch
between Linz and South Germany. The freight carried by the
company between Linz and Regensburg in 1950 reached a
total volume of 690,000 tons, the cargoes consisting mainly
of Ruhr coal for the VÖEST works, pig-iron, sheet metal,
timber, and grain.

The first Russian concession in the direction of opening up
the Danube appears to have been made from ulterior motives.
After its breach with the Soviet Union, Yugoslavia was in a
strong position as regards Danube navigation, because, at the
Iron Gates, it could control river traffic between the Russian
satellite States, if it so wished, just as Russia controlled traffic
between Vienna and the West. Yugoslavia's freedom of navigation
was therefore ensured, and in 1950 it started a service
between Belgrade, Vienna, and Regensburg. To provide
rivalry for Yugoslav ships the Soviet authorities in Austria
began to issue licences for Austrian barges to travel between
Vienna and Linz. During 1951 more than 73,000 tons of oil
were carried in Austrian vessels from Vienna to Linz, and a
smaller quantity of grain in the same way from Regensburg to
Vienna. Cargoes for the year carried by Austrian ships on the
Danube amounted to more than a million tons.

In June 1952 the Soviet High Commissioner informed the
Federal Chancellor that, in the interests of the Austrian people
and in order to improve Austria's economic position, navigation
on the Danube within the Russian zone would hence-

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forth be free. On the 12th of July the first passenger ship travelled between Linz and Vienna. In September an agreement was made between Austria and Hungary for the resumption of river traffic between the two countries in which each was to share equally. The reasons for these further concessions can only be surmised. But the motives almost certainly went beyond rivalry with Yugoslavia. One purpose may have been to please Austrian opinion. Another reason was probably a belated realization of the wastefulness of previous Soviet policy. The contrast between the enterprising developments in Western Austria and the economic deterioration of the Russian zone was becoming increasingly clear, and could only have a damaging effect on Soviet prestige.

Russia's attitude regarding the Danube, however, cannot be regarded as characteristic. The most hopeful indication for Austria's future is that the Soviet economic policy within Austria appears to be based on short-term considerations. The ruthless exploitation of the oil-fields and the failure to invest capital in the USIA enterprises both point in the same direction. It is a measure of Austria's economic suffering at Soviet hands that comfort has to be drawn from exploitation and neglect.

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XIII

The Communist Challenge

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668 AFTER their defeat in the elections of 1949 the Austrian Communists could have little hope for their future as a parliamentary opposition. But in neighbouring Soviet satellite States Communist minorities had obtained power by force, misrepresentation, and ingenuity. Such methods had possibilities for the Austrian Communists themselves. An opportunity for experimenting with them was not long in presenting itself.

In the summer of 1950 there was much discontent in Austria. The Third Price-Wage Agreement had imposed all-round sacrifices but failed to stop inflation. The cost of living was rising again, and was bound to rise still further. On the 22nd of September, after weeks of severe bargaining, the Fourth Price-Wage Agreement was approved by the Government, the trade unions, and representatives of industry and agriculture. It was a compromise that none of the negotiators liked. The people as a whole had lost faith in such agreements.

The Communists chose this time to try out their new methods and challenge the Government's authority. Two weeks of crisis and disorder were the result. The immediate aim was a general strike. The pattern of activity was everywhere very much the same. The terms of the new Agreement were grossly misrepresented, and workers were called upon to strike in protest. Force was used to undermine trade union authority and disorganize public services. Railways, roads, and tram-lines were blocked. Rumours were put about of sympathetic forces in reserve. Czech troops were said to be ready at the frontier. The Communist Party's slogan, 'It is only 60 kilometres to the People's Democracies', acquired a new and sinister meaning.

In Vienna the main disturbances occurred on the 26th of

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September, backed by unscrupulous propaganda through the radio and the Press. Tram services were obstructed, and some of the main railway lines to the provinces were temporarily blocked. Flying squads made raids on gas works, power-stations, and other vital points. The trouble culminated when thousands of strikers from USIA factories, having been taken to the centre of the city by lorry and bus, assembled with others in a crowd 6,000 strong before the Federal Chancellery in the Ballhausplatz. They listened to speeches by Ernst Fischer, Franz Honner, and other Communist leaders, and demanded that the Chancellor should receive a deputation immediately. Dr. Figl, who had remained in his office, refused to grant an interview under pressure, but agreed to see the deputation the following day. Soon afterwards the crowd began to disperse. In the course of the day there were some unpleasant episodes between the Communists and the police, and the task of the police was made much more difficult by the fact that the Soviet authorities refused to allow reinforcements to be moved from Russian districts to other parts of the city.

On the morning of the 27th the Chancellor, in the presence of the Vice-Chancellor, received the demonstrators' deputation and promised to refer their grievances to the Cabinet and the Trade Union Federation. But after the 26th the most critical moment was past. The trade unions had had time to counter with sober facts the wild rumours regarding the terms of the new agreement. When the Viennese workers had an opportunity to consider the real issue, the great majority of them remained loyal to their chosen leaders and rejected the Communist bait.

In the provinces, apart from isolated cases in Salzburg, the main trouble occurred in Upper Austria, Lower Austria, and Styria. The chief industrial centres in Lower Austria and Styria were in varying degrees affected. In Graz a number of Communist leaders smuggled themselves into trade union headquarters and tried to organize strikes by telephone in the name of the provincial trade union authorities, until this typical piece of deception was brought to an end by the police.

665 In Upper Austria the position was aggravated by the presence
 668 of a high proportion of discontented refugees and displaced
 persons amongst the industrial workers and by the strength of
 the Union of Independents in some of the Works Councils.
 One of the biggest and longest strikes took place in the Steyr
 works of the Steyr-Daimler-Puch Company. In the Works
 Council of VÖEST, fourteen out of twenty-eight members
 belonged to the Union of Independents and two more were
 Communists, while additional agitators were sent there at the
 critical moment from Vienna and Lower Austria. As a result,
 Linz was one of the worst trouble centres in the whole of
 Austria.

On the 26th of September the workers of VÖEST and five
 other Linz concerns, together with the tram-drivers and con-
 ductors, went out on strike. About 15,000 demonstrators
 assembled on the main square, and some penetrated to the
 Mayor's office in the Town Hall. Officials of the Communist
 Party and Union of Independents then made speeches from
 the Town Hall balcony. The next day 1,000 strikers assembled
 before the Chamber of Workers' building, and some forced
 their way inside. They seized the seventy-six-year-old Presi-
 dent of the Chamber, pushed him on to the balcony, and
 forced him to resign by threatening to throw him into the
 street.

For a day or two the situation was really dangerous. At
 Linz the Danube is the boundary between the American and
 Russian zones, and it was clear that the proceedings were being
 organized from the Russian side of the river. Firm action by a
 joint committee of the city and provincial authorities led to
 order being restored. Police reinforcements were brought in
 from the country, and the workers' elected leaders reasserted
 their authority. Within a week the strikers had all returned to
 work. Even the Union of Independents, which had been
 partly responsible for the trouble, sent a representative to the
 joint committee's meetings.

Between the 26th and 30th of September about 120,000
 workers went on strike, including 40,000 employed by USIA,

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who had little freedom of choice. This was only about 8 per cent of the total number of industrial workers. But, in spite of the failure of their first offensive, the Communists made open preparations to renew the attack. On the evening of the 27th of September, when most of the strikes had already petered out, the order was given to the workers by radio to return to work the following day but await the decisions reached by the All-Austrian Shop Stewards' Conference, which was to meet on the 30th of September. 665
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This Conference was a purely Communist idea, and duly met in Florisdorf, a suburb of Vienna in the Russian zone. Its purpose was to give to future Communist action an appearance of approval by workers' representatives on a national scale. But it in no way represented the workers as a whole, and the Trade Union Federation called upon its members not to attend. Most of those who appeared at Florisdorf chose themselves and were adherents of the Communist Party or League of Independents, some of them shop stewards and some of them not. The conference declared that unless the Government dropped the new Price-Wage Agreement by the 3rd of October a general strike would begin on the 4th. Some seductive but quite impracticable proposals were put forward as an alternative to the Agreement.

The Government and the trade unions took their own measures to prepare for the future and settle the past. The Trade Union Federation and the Socialist Party, in announcements to their members, dissociated themselves from the Communist action and made clear that the Communist statements about the Price-Wage Agreement were deliberately untrue: the real issues at stake were democracy and freedom. The Government suspended members of the police force who had failed in their duty, threatened to expel from the country any *Volksdeutsche* who assisted the trouble-makers, and called on the police to maintain order and stand firm against threats. A call to the Austrian people issued by the Government on the morning of the 3rd of October contained the following passage: 668

668 'Defend the freedom of the country. Do not allow yourself to be intimidated by acts of violence. The power of the State is sufficient to check terrorist action at the start, so no one should yield to Communist pressure.'

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668 In the Allied Council on the 29th of September the United States High Commissioner, who was in the chair, accused the Soviet element of having contributed to the recent disorders and lawlessness by encouragement and aid. He charged the Russians, amongst other things, with the following specific acts, violating quadripartite agreements: transporting rioters about Vienna in Soviet Army vehicles; blocking a railway line by means of a Soviet tank; interfering with the maintenance of law and order by stopping the movement of police, and preventing the police from checking rioters at St. Pölten railway station through the intervention of a Soviet official. The British and French representatives supported the American charges. The Soviet Deputy High Commissioner, in rejecting them, made the curious but typical statement that the unrest had been due to the indignation and bad living conditions of the Austrian workers resulting from the Marshall Plan.

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668 Before the 4th of October it was already clear to the trade union leaders that an overwhelming majority of workers was opposed to a general strike. The Socialist Party had called conferences of Socialist shop stewards in all parts of the country, and their opinion on the subject was almost unanimous. Outside Vienna and the Russian zone the only strikes that occurred were at Hallein in Salzburg, and at the Steyr works in Upper Austria, where the workers had been out since the 26th of September. In Vienna itself there was scarcely a single strike of importance outside the USIA organization, though the news that thirty censors had stopped work at one of the post-offices caused some unexpected satisfaction. This did not prevent the Communist Strike Committee from announcing publicly that the strike in Vienna was practically complete. More serious were the organized attempts at blocking tramways and railway lines and erecting barricades and traffic obstacles in the streets. These were only mastered

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because the great mass of the people were on the side of law and order and turned against the Communist gangs that were trying to cause trouble. On the evening of the 4th of October Burgomaster Körner called on the Russian Military Commander and complained of what was happening. The commander replied that he was against interference in Austrian internal affairs on principle and opposed to the use of force by either side. 665
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The worst trouble occurred in the Russian zone. Even here the number of strikers was comparatively small. In fact the total for the whole of Austria on the 4th and 5th of October was about 35,000, in addition to 40,000 USIA workers, not all of whom went on strike. But in the industrial centres of Lower Austria terrorist methods were employed. The Soviet authorities interfered with the police; railway lines were blocked; public services were threatened, and gangs of Communists used force and intimidation to compel workers to strike.

The most serious events occurred in Wiener Neustadt. There the terrorist methods against industries had only a limited measure of success, some of the workers, especially in the radiator factory, showing great spirit under attack. But the situation became critical when the Communists seized the post-office and telephone exchange. The city is in the heart of the Russian zone, only twelve miles from Soviet Military Headquarters, and the local police were not strong enough to restore order on their own. After understandable hesitation, the Minister of the Interior made the bold decision to send reinforcements from Vienna, and with this strengthening the police restored order and regained control of the post-office. The local Russian commander then intervened, ordering the restoration of the *status quo* within ten minutes and the withdrawal of the reinforcements. The position was finally righted by the general course of events.

Apart from Wiener Neustadt the Communist action throughout Austria had collapsed by the evening of October the 5th. The Florisdorf Conference decided that the strike

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668 should come to an end on the 6th, but its decision had been anticipated by the Austrian workers.

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727 With commendable speed and determination in defence of its rights, the Government sent a note to the Allied Council on the 5th of October, complaining of the Russian action in Wiener Neustadt. On the same day the Foreign Minister despatched a telegram in a similar sense to the Foreign Ministers of the four occupying Powers. The three Western Allies replied with notes in which they expressed their sympathy with the Austrian Government's point of view and their approval of the measures it had taken. They later made official protests to the Government of the Soviet Union.

668 The Government also issued a proclamation in which it thanked the Austrian people for defending their country by their courageous attitude and for proving to the world that Austria would never become a 'People's Democracy'. On the 6th of October a demonstration took place in Wiener Neustadt, where 20,000 people celebrated the victory over Communism and were addressed by the Minister of the Interior and the Minister of Justice, who travelled down from Vienna especially for the purpose. The following day Burgomaster Körner and President Böhm of the Trade Union Federation attended another large victory demonstration before the Vienna Town Hall.

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665 There are two questions that arise in connexion with the whole series of disturbances. What was the Communists' real intention? And how far did they receive Russian support? The answer to the second question throws light on the problem raised by the first.

There is no doubt that the accusations of the United States High Commissioner against the Soviet Element were justified. At the same time there was some truth in the reply of the Russian Military Commander in Vienna to the Burgomaster's protest. That is to say, the Soviet authorities wanted to ensure that the Communists had full scope for their activities, and were prepared to take limited measures in their support, such as making vehicles available and preventing movements of the

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police. But they did not intend to give active aid to the demonstrators, and it is likely that such instances of it as occurred were due to the over-enthusiasm of individuals. Many people were injured in the disturbances and two men died of shock. Yet there was not a single case of violent death throughout the whole period of crisis. Such a result would have been inconceivable had the Soviet forces been active in support.

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It is probable, therefore, that the Communist intention was to exploit popular dissatisfaction in order to bring about a general strike and, by so doing, to get control of the trade union movement. Had this intention been fulfilled, some modification in the Government might have followed, and the way would have been prepared for a further advance. The ultimate aim of the Communists, in which they could count on Russian support, was to turn Austria into a 'People's Democracy'. The 1950 action was a preliminary trial of strength.

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The fundamental reason for the Communist failure was the Austrian people's attitude. But effective leadership and organization also played a vital part. Dr. Figl and Herr Helmer, the Minister of the Interior, were at their best at such a time. The Government acted with energy, courage, and persistence. The police, as a whole, were efficient, good-tempered, and loyal. The employees of the threatened public services were disciplined and reliable. Most important of all, the trade union leaders were unwavering in their attitude, and the great mass of the workers responded to their call. It was a fine proof of statesmanlike maturity that, in face of the Communist threat, the trade union movement stood staunchly by the Price-Wage compromise that none of its members really liked.

The Communist challenge had two important results. In spite of its failure, there had been a real trial of strength between two rival ideologies. The Communists had in their favour the initiative, the choice of time, and uncertainty regarding the extent of Soviet support. The victory of the Government and

668 the trade unions increased the authority and confidence of both.
665 In self-defence they took measures on which they had never
ventured before, and their success strengthened their courage
and resolution for the future.

Even more significant was the revelation of Communist aims and methods. The Austrian people were given a full-scale demonstration of tactics about which most of them had previously only read. The difference between Russian and Western conceptions of democracy and freedom was made clear beyond any doubt. If a small minority could cause so much trouble by employing the Communist technique, for the sake of Austria's freedom and independence it was imperative that the minority should not be allowed to grow. Since the excesses of the Russian troops immediately after the War nothing within Austria has done more than the events of September and October 1950 to bring Austria closer to the West.

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XIV

Austria Turns West

THE Austrian people are deeply convinced that their true role in Europe is to mediate between East and West. The conviction is based on historical, political, economic, and diplomatic considerations. It has been held and expressed by most of Austria's leading statesmen in the Second Republic.

The Habsburg dominions were held together by a policy of conciliation. Vienna, once a Roman frontier fortress and later an outpost of Western Europe against the Turks, could never have become the centre of a cosmopolitan Empire, comprising Germans, Slavs, and Magyars, had the Habsburgs not practised toleration and compromise. Conciliation, which for the rulers was a matter of expediency, serving a strictly dynastic purpose, was adopted by their subjects as a habit and an ideal. The Austrian people's belief in it was intensified by events between the two World Wars, when uncompromising nationalism led to world disaster.

Austrians have a strong sense of history and tradition. Their main cultural links are with the West, but they have never lost their sense of affinity with the Succession States and their desire to remain on friendly terms with them.

History, according to Anton Wildgans, has taught Austrians 'service to an idea', and he had in mind the supranational and universal idea. Both the main political parties in Austria today serve great ideas and advocate a mediatory and conciliatory role for their country in international relations. The People's Party, though non-confessional in principle, is strongly influenced by Catholic universalism and the Habsburg cosmopolitan tradition. The Socialists, while rejecting Communism, still believe in the international character of their movement.

439 From the economic point of view Austria needs the markets and supplies provided by her natural trading partners in Eastern Europe. She produces goods which they cannot easily obtain elsewhere, and they are a source of some of the fuel and food that she herself requires. Under normal conditions Polish and Czechoslovakian coal would be a natural exchange for the Austrian oil and oil-products that are now being confiscated by the Russians. The low cost of transport in trade between neighbours is an important consideration.

648 Diplomatically Austria is best suited to be a conciliator. Her size and exposed position both point to the same conclusion. The weight she could add to either side would not be sufficient to prevent hostilities. In any war between East and West she would be one of the first to suffer.

These considerations are appreciated by every Austrian statesman. One of the most striking speeches on the subject was made by President Renner shortly before his death. On the 23rd of October 1950, in an address to the Youth Section of the Austrian League for the United Nations League he said: 'More than any other European the Austrian can understand the peoples of Eastern Europe to whom he has been closely linked by many centuries of economic, intellectual, and social relations. It is the responsibility of Austrian youth to see that this advantage is used in the service of ourselves and of the whole of Europe.' President Körner expressed his convictions in actions as well as words. While Mayor of Vienna he accepted an invitation to Russia to attend the celebration of Moscow's 800th anniversary in September 1947, though he went as the city's representative, not as a private individual.

In spite of the intense disappointment caused in Austria by the Soviet attitude and policy since the War, for about five years the Austrian Government showed great patience and reluctance to take sides. Public complaints against the Soviet Element were usually expressed in general terms that might apply to any of the occupying Powers. A clear proof of the Government's point of view was its willingness in 1949 to

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make sweeping concessions to Russia in order to obtain a State Treaty by common consent. 648

The change that eventually occurred in the Austrian attitude was the result of Soviet policy in Austria and the developments in Eastern Europe and the West.

As has been seen, Russia's planned exploitation of the Austrian economy grew steadily worse as the years went by, and culminated in the establishment of USIA retail shops and the ruthless stepping-up of oil production. Soviet political pressure and interference showed no signs of being modified after five years of occupation. The Communist action in the autumn of 1950 was based on Soviet encouragement and support.

No less significant were the developments in the international situation. The suppression of democratic freedom and national independence in the countries of Eastern Europe had a decisive effect on Austrian opinion. Between 1945 and 1949, Poland, Roumania, Czechoslovakia, and Hungary succumbed one after another to the Communist technique. Communist minorities were converted by trickery, threats, and terror into Communist Governments dominated by Russia, and diplomatic and trading relations with Austria became increasingly difficult. The greatest shock was the Communist *Putsch* in Prague of February 1948. Czechoslovakia's desire to maintain good relations with both Russia and the West was beyond doubt. After her treatment at Munich she turned naturally to the Soviet Union for diplomatic support, but the Czech people retained their admiration for Western culture and their belief in Western democracy. The events of February 1948 proved that a small country could carry conciliation and impartiality too far, when the Soviet Union was one of the parties. For the second time within a decade, at tragic cost to herself, Czechoslovakia served as the touchstone of a dictator's intentions.

These events, in addition to their direct impact on the Austrian people, provoked strong reactions amongst the Western Powers, which in their turn influenced Austria.

648 The subjugation of Eastern Europe and Russia's rejection of the Marshall Plan convinced the nations of the West that defensive measures were necessary. With the Brussels Treaty of March 1948 the Western Union idea took definite shape, and a year later the North Atlantic Treaty followed. The division of Europe into two rival groups was an unintended consequence of the Marshall offer. The rivalry was emphasized by the two defensive alliances.

Austrian statesmen have stated repeatedly that their country has no intention of joining a military alliance either before or after the State Treaty is signed. Before the treaty such action would endanger Austria's unity. After the treaty she would prefer to pursue her own policy of neutrality and conciliation. Yet since 1948 it has been increasingly difficult for the Austrian Government to sustain its attempt at impartiality. Russia's attitude towards Marshall Aid first drove Austria into association with the West, and subsequent events have emphasized the alignment.

As Dr. Renner put it, psychologically Austria has been won for the Western Allies. Her statesmen have been increasingly firm in maintaining their country's right and increasingly frank in voicing their resentment and their gratitude. In many different ways the Austrian people have given expression to their sympathy for Western ideals and the Western way of life. Only a small minority made up of Communists and their associates in the People's Opposition opposed the general trend.

Austria's new attitude has been reflected in the frequent visits of Austrian statesmen to the West and of Western statesmen to Austria. During the early post-War years occasional visits were made, but since 1950 there has been a marked and significant increase in the interchange. In that year Dr. Gruber made an extended tour of the United States, lecturing on Austria's political and economic problems. During 1951 and 1952 the Chancellor and four Austrian Ministers went to London, and visits to the United States were paid by the Chancellor, the Vice-Chancellor, the Ministers of Foreign Affairs, Finance, Trade, and Justice. The Mayor of Vienna, the

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DR. FIGL AT 10 DOWNING STREET, LONDON, MAY 1952

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648 General Secretary of the People's Party, and strong delegations of Austrian Members of Parliament and business-men. In the other direction during the same period Mr. Herbert Morrison, Mr. Dean Acheson, Mr. Anthony Eden, and two groups of American Congressmen paid visits to Vienna.

The culmination of the series was the tour made by Dr. Figl in the spring of 1952 to England, the United States, and France. This symbolized better than any other event Austria's turn towards the West. The Chancellor himself explained that he welcomed the invitations of the three Western Powers because they provided an opportunity for a demonstration of unusual significance for Austria. His State visits to London, Washington, and Paris enabled the Western Governments to show that, though they had not been able to restore Austrian sovereignty by treaty, they wished to recognize Austria as a free State entitled to equality of treatment. The Chancellor was received by Queen Elizabeth, President Truman, and President Auriol, and, wherever he went, he was given the recognition due to the Prime Minister of a sovereign State.

Dr. Figl proved himself a worthy representative of his country. In the United States his reputation for grit, tenacity, and common sense had preceded him, and his visit was a popular as well as an official success. He received a warm welcome from the Senate, a medal of honour from New York City, and a favourable notice from the *Chicago Tribune*. In all three countries he won sympathy and understanding for Austria and obtained assurances of continued and whole-hearted diplomatic support.

The full significance of the Chancellor's journey became clear when he arrived back in Austria. At the Swiss frontier, and at every place where his train stopped between there and Vienna, he was received by his fellow countrymen with enthusiastic demonstrations of gratitude. Throughout his tour Dr. Figl had conducted himself as the representative of Austria rather than as a party leader, and he was rewarded with an all-party welcome on his return. The Socialist mayor of the preponderantly Socialist town of Attmang-Puchheim received him with

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the same warmth as places where his own party was in a majority. At the West Station in Vienna thousands of people awaited his arrival, and he was greeted first by Vice-Chancellor Schärff, who handed him a cordial personal note of thanks from President Körner. The Austrian people thus showed their appreciation both of the Chancellor's achievement and of the recognition accorded their country by the Western Powers. This recognition has given them greater courage and self-confidence in the endurance test to which they have been so long subjected and which has not yet come to an end.

Austria, having been compelled to take sides, has left no doubt where her sympathies lie. Yet the decision to turn West was reluctantly made. Most thinking Austrians, taking a long view and seeing their country's future against the broad background of its past history, still believe that Austria's true destiny is to maintain links both with the East and with the West. The political and economic considerations that have been decisive in the past are still valid to-day. Western countries would be reluctant to give up hope that one day the Soviet régime will be modified and Eastern Europe freed. With Austrians this hope includes the opportunity of renewing neighbourly intercourse. Their capacity to forget and forgive has been illustrated recently by their attitude towards Yugoslavia. In spite of Yugoslavia's provocative post-War claims against Austria, excellent relations between the two countries have been re-established following Tito's breach with Russia. The Yugoslav Permanent Under-Secretary of State for Foreign Affairs was able to say, in the autumn of 1951, that no Yugoslav minorities in foreign countries were so well treated as the Slovenes in Carinthia.

Austrians are thus hoping for the day when they can resume their traditional role. In 1951 Dr. Gleissner expressed his countrymen's views when he spoke in the following words: 'It is the will of her people that Austria should issue not challenges but invitations, should be a meeting point not a dividing line, nobody's bastion but everybody's bridge.'

During his visit to the United States, Dr. Figl stated publicly

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that he would willingly travel to Moscow, too, if he received an invitation. He was asked in Austria later if he did not consider that a visit to Moscow would alienate American opinion. He replied without hesitation that an invitation to Moscow would have to come from Stalin himself, that such an invitation would imply a new Soviet attitude towards Austria, and would be followed by a State Treaty. In these circumstances he felt sure that the Americans would appreciate the reasons for the visit. To a remarkable extent Dr. Figl himself had managed to combine dogged insistence on his country's rights with good personal relations with the Russians. In this mixture of obstinacy and patience he was the heir of the Habsburgs. He was also the true representative of the Austrian people.

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XV

Austria and International Co-operation

186 **D**URING the post-War struggle of the Austrian people there has been a steady growth in their patriotic sentiment and in Austria's consciousness of its identity as a State. The process began between the Wars, and was accentuated by the conflict with National Socialism that preceded the *Anschluss*. It continued during the German occupation, when the concentration camps and the Resistance Movement acted as breeding-grounds for Austrian patriotism. When the War and occupation ended, the exacting tasks that confronted Austrians gave a positive and constructive character to a development that had previously been more of a protest against something objectionable than a live faith in an accepted ideal. No Austrian Foreign Minister in the First Republic would have been likely to say what Dr. Gruber did in 1948, when he summed up the main purpose of Austria's external policy as 'the preservation of our way of life'.

433 To this developing State consciousness the fight for economic recovery made a great contribution. The low level to which the country's industrial production and food supplies had sunk in 1945 spurred on the Austrian people to a common effort to master the situation. The Marshall offer was a challenge as well as a great act of generosity. Just as the two main parties had agreed on the nationalization of certain industries in 1946, so later they worked together in conjunction with the Americans to use to the best advantage the unique opportunity for capital development presented by the European Recovery Programme. Ranshofen, VÖEST, the nitrogen works at Linz, and above all the great hydro-electric power projects were symbols of hope for the future. For the first time since the Republic was founded Austrians could make their economic plans in full confidence that they would be living in a viable

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State, when once their independence had been restored. If Austria's hopes of solvency were well-founded in 1937, the development of her oil-fields and hydro-electric power since then have placed their realization beyond all doubt, provided she is free to manage her own affairs. 433

Like the Nazi aggression before 1938 and the German occupation that followed, Russia's economic and political obstruction since the War has stimulated Austrian patriotism. Austria's courage and patience under great provocation, her Government's correct attitude towards the Soviet authorities, combined with insistence on its rights, have won general admiration. So her greatest disappointment since the War has, from the long-term point of view, been turned to her advantage, and has played its part in the harsh process by which the Republic has been welded into a unit. 186

Above all, the Coalition Government's record has had a decisive influence. Its problems have been exacting, in some cases insoluble, and it has been a difficult team to manage. Yet on the whole, in face of great difficulties, it can claim to have been one of the most stable and successful governments in post-War Europe. The contrast between political life in the First and Second Austrian Republics could scarcely be more marked. In the one case there was bitter rivalry, mutual intolerance, and frequent changes of government; in the other case co-operation, continuity, and a readiness to compromise for the common good. In eight years Austria has made great progress towards democratic maturity, and the lessons of the inter-War years have been well learned. 642

But their newly developed patriotism and self-confidence have left Austrians under no illusions. They are aware of their limitations, and they realize that political nationalism is out of date. The American journalist who described Dr. Figl as the successor of Don John of Austria, the last knight of Europe, who turned back the Turks in 1571, was read with a smile in Vienna. Austrians think that their main contribution to the world will always be cultural rather than political and will be based on the spirit, the intellect, and the preservation of 648

648 valuable and unique traditions. Diplomatic entanglements and power politics are inappropriate for a country of 7 million inhabitants in a highly vulnerable position. The political aim of Austrian statesmen is to justify Austria's independent existence by maintaining a healthy economy and social order and by setting an example of good world-citizenship.

Austrians believe that their country's best hope for the future will be as part of some effective international order. Their political leaders have stressed this point repeatedly since the Second World War, just as they have been the consistent champions of Austria's mediatory and conciliatory role.

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648 No one has had a greater influence on the development of the Second Republic than Dr. Karl Renner, who was a convinced internationalist of long standing. Before 1914 he had advocated a federation of self-governing nations under the Habsburgs, and considered that the dissolution of the Empire would mean the triumph of reactionary nationalism. The future belonged, in his view, not to the nation State but to the supra-national State comprised of antonomous units. In accordance with his general outlook he described Austria on his return from St. Germain to Vienna in 1919 as 'an autonomous province of the League of Nations' which relied on the League as the guarantor of its independence. In a speech during the opening session of the National Assembly, on the 19th of December 1945, and again on his eightieth birthday, Dr. Renner expressed his faith in the idea of the United Nations. In 1948, he wrote: 'The forces which make history move towards a world economy and a world State, and in this direction Austria is glad to go.'

Dr. Renner had considerable influence on the politicians with whom he worked during the last years of his life. His sentiments towards the Habsburg Empire were echoed by the Socialist, Dr. Koref, who said in Parliament in 1952: 'The Austrian people are predestined to take part in international understanding because they have within them the heritage of a small version of the United Nations.' Dr. Figl repeatedly declared his belief in an international order.

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But the Austrian attitude on the subject cannot be attributed to the influence and example of any individual. It lay in the logic of Austria's position as a small and defenceless State that her people should pin their hopes on the support and guarantees provided by a world organization such as the United Nations. As far back as 1922 Monsignor Seipel had accepted the help and financial supervision of the League of Nations. In April 1946 the Austrian Government was invited to send representatives to the last meeting of the League as observers, and the President of the Assembly spoke of Austria as 'one of the most solid pillars of our organization' and referred to the specially active part she had taken in all the League's work.

Austria's belief in international co-operation has been revealed in a number of ways: through her support of specific projects with limited aims, her interest in European unity, and her enthusiasm for the United Nations and the work of the Specialized Agencies.

The full utilization of Austria's hydro-electric resources would only be possible on an international basis, as their potentialities greatly exceed her maximum needs, and there would be no point in her investing in projects beyond her own requirements, without international arrangements guaranteeing consumption. In December 1952 a meeting took place at Innsbruck between representatives of Austria, Germany, France, and Italy. It led to the establishment of an International Power Survey Company for co-ordinating hydro-electric developments in Austria with those of the three other countries.

Another project in which Austria has shown great interest is the plan for a Rhine-Main-Danube Canal, which would link the North Sea with the Black Sea. It involves improving the navigability of the Main and the construction of a canal from Bamberg on the Main to Regensburg on the Danube. The economic and political implications of the plan are considerable, and its immediate advantages for Austria obvious. At present her overseas exports are shipped from Trieste or the

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312 German North Sea ports, and in either case the railway freight charges add substantially to the cost of transport. The opening up of a water-way to the sea would be of the greatest value.

648 Austria's participation in such plans as these is due mainly to her needs and natural endowments as a land-locked Alpine country. To a large extent her interest in all international movements is the result of her size and situation. Yet Austria's internationalism cannot be attributed solely to material factors. The warmth and spontaneity of her people's response reflect their temperament, their humanity, and their political and religious convictions.

The Austrian attitude towards European unity has never been in doubt. In October 1945, before the European movement had been fully launched by Churchill's great speeches at Brussels, The Hague, and Zürich, Leopold Figl, who was not yet Chancellor, wrote of Austria as a 'germ-cell' in the reconstruction of the European community of peoples. In one of his first speeches to the National Assembly the following December he spoke of the vital importance of instilling into the rising generation of Austrians an 'all-European democratic way of thought'. Austria was subsequently represented at the Congress of Europe at the Hague in 1948 and at meetings of the European Parliamentary Union. Members of the Austrian Parliament have also attended meetings of the Consultative Assembly of the Council of Europe as observers since the autumn of 1951, and have taken part in its committee work. The only reason Austria has not become an official member of the Council is that her Government felt it inadvisable to take such a step, so long as the occupation continued.

One indication of the importance attached by Austria to friendly relations with other countries has been the many goodwill visits abroad undertaken by leading statesmen since the end of the War. Dr. Gruber himself has been a tireless traveller. There has also been a rapid development in the Austrian foreign service since the Allied Council permitted the exchange of diplomatic representatives early in 1946. Within a few years the size of the service as a whole and the number of

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embassies and legations established in foreign countries exceeded the pre-War level. 648

In the summer of 1947 Austria made formal application for membership of the United Nations, but its request was vetoed by Russia in the Security Council. The General Assembly decided by a large majority that Austria was qualified for membership, and the matter came up again before the Security Council. But this and later attempts to reverse the previous decision were all frustrated owing to Russian opposition. Recently the Austrian Government has declared itself in favour of the Russian proposal for the *en bloc* acceptance into the United Nations of non-member States sponsored by Russia and the West.

In spite of their disappointment, the Austrian Government and people have given their full support and co-operation to the United Nations as a non-member State. Russia was not in a position to prevent Austria joining the Specialized Agencies, and by 1952 she had become a member of all the Agencies except one. She has taken part in the Technical Aid programme to backward and undeveloped countries and has sent medical supplies to Korea. In the summer of 1952 the Austrian Parliament approved unanimously a declaration that Austria was prepared to fulfil conscientiously all its obligations under the Charter of the United Nations from the day on which it became a member of that organization. The appeal to the United Nations, later in the year, regarding the delay in obtaining a State Treaty, was in itself an expression of faith.

While they were in New York, Dr. Figl and Dr. Schärff both visited the United Nations headquarters. In July 1952 Mr. Trygve Lie himself went to Vienna. It was the first official visit of the Secretary General of the United Nations to a non-member country. In an address to a joint session of the Austrian Parliament Mr. Lie emphasized this fact, and expressed his thanks to the entire Austrian nation for having always acted politically both at home and abroad, as if they were already a member of the United Nations. The suggestion put forward in January 1953 by Mr. Walter Lippmann that Vienna might

648 make a better headquarters for the United Nations than New York was received in Austria with gratification.

There is probably no country in the world where greater efforts are made than in Austria to impress the United Nations idea on the whole people through the schools, the universities, and well-thought-out publicity. The Austrian League for the United Nations is a highly organized and active body, supported by the country's political and intellectual leaders. Every year the League arranges a United Nations Week, in which prominent statesmen take part. The Minister of Education has ordered that the anniversary of the Declaration of Human Rights should be celebrated in schools throughout the country.

Austria's belief in internationalism has superseded the desire for a voluntary *Anschluss* with Germany that prevailed after the First World War. In a New Year's Message soon after he became President, Dr. Renner said, after referring to experiences with the Italians and the Germans between the Wars: 'From these experiences the Austrian people in 1945 finally drew the only possible conclusion: self-reliance and independence; no *Anschluss* at all, neither with the East nor the South, neither with the West nor the North; one thing only is desirable, entrance into the community of the United Nations.' This change did not mean that Austrians lost pride in their German cultural heritage, but it did mean that they became increasingly conscious that the German culture of which they were proud could be traced back to an age when the Austrians, not the Prussians, set the tone and determined the character of the German contribution to European civilization. During the past few years Austria's relations with Western Germany have steadily improved. Western Germany has become her most important trading partner. In January 1953 Dr. Gruber accepted an invitation from Dr. Adenauer to visit Bonn the following March. But it is clear that Austrian statesmen envisage a friendly relationship with Western Germany based on common membership of a European political community. Mr. Walter Donnelly, the United States

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High Commissioner in Austria, made a constructive contribution in 1952, when he suggested that relations between Germany and Austria should be comparable to those between the United States and Canada. 648

Western Germany is already much farther along the road to freedom than Austria. If Austrian independence is held up for too long, there is a danger that the Austrian people, through sheer desperation, will again be attracted by the strength and success of a great kindred people. Dr. Figl pointed out this danger to Western statesmen during his visit to the United States, Britain, and France in 1952, and in this connexion obtained their assurances that the Austrian question would not be forgotten. Soviet leaders, who threw away the good will and admiration of the West so quickly and needlessly after the War, would do well to consider the long-term consequences of their obstructive policy towards Austria.

If Austria is inclined to stake her future on the success of mankind's efforts to establish a world order, the question arises as to what contribution this small State can itself make to such an order. 000

There is a growing and dangerous tendency at the present time to over-simplify the international issues with which the world is faced. Complex human problems, whether large or small, urgent or less urgent, are judged largely by the extent to which they are considered relevant to the main conflict between Communist Russia and the free West. This tendency results from a state of mind which is the counterpart in international thought of totalitarianism in political thought. Just as the demands and disappointments of the democratic system have driven men to accept the panaceas offered by Marx and Hitler, so have the intricacy and gloom of world politics led well-meaning and civilized people into the crude and perilous error of over-simplifying international problems.

Yet a world order can only be established on a democratic basis; that is to say, under a complicated system in which every individual counts and every individual is expected to make a contribution. Under the American constitution the

000 State of New York, with nearly 15 million inhabitants, and the State of Nevada, with less than 200,000, each send two senators to Congress. In any successful world order contributions from the smallest States will be needed and respected.

The First Austrian Republic was somewhat reluctant to be alive. But the Austria that has emerged from the ordeal of two occupations and prolonged suffering and danger is confident in her destiny. The people of Austria and her many friends throughout the world believe that she has a significant, if minor, role to play.

As her record since the War has shown, one of Austria's contributions to mankind is in the art of living. Austrians appreciate the best, but can be happy on a minimum. Their courtesy and friendliness rarely fail them. They have learned from experience that suffering gives an edge to enjoyment, and so they can be cheerful against a background of disaster. The mixture of gaiety and melancholy in the music of Mozart and Schubert is an essentially Austrian combination.

Mozart, the greatest creative genius that Austria has produced, is typical, in his broad humanity, of his countrymen at their best. As well as elegant beauty, humour, and sentiment, his work has a depth and seriousness of intention that are all the more significant for not being over-emphasized. In 'The Magic Flute' he could create at the same time the lovable but earthy Papageno and the ideal figure of Sarastro with his dignity and his message of forgiveness.

A breadth of approach to international problems has never been more needed than now. Lack of humour and a sense of proportion in one case can do as much harm as irresponsibility or fanaticism in another. The Austrian people and their leaders, in the most exposed situation in the world, have shown firmness, cheerfulness, and restraint, combined with a continuous faith in conciliation. In so doing, they have set a valuable example. They have shown that a small State can make a contribution to world order out of all proportion to its political power.

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[For an account of the unsuccessful efforts, from 1946 to 1952, of the four occupying powers to negotiate a State Treaty for Austria, see category 116, pp. 189-202.]